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universities and special schools**

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University of Northern Iowa
Iowa School for the Deaf
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Quad-Cities Graduate Center
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Teresa A. Wahlert, *Wauke*

Gary W. Steinke, *Executive Director*

MEMORANDUM

TO: Angie Lewis
Senate Republican Caucus Staff

FROM: Gary W. Steinke

SUBJECT: Questions For Government Oversight Committee Regarding Board of Regents

DATE: June 12, 2006

On May 31st, on behalf of the Government Oversight Committee, you requested answers to numerous questions regarding the Board of Regents (copy of e-mail attached). Each question is specifically addressed below.

1. Draft Board meeting Minutes dating back 3 months prior to Michael Gartner's time as President to most current Minutes

On Tuesday, March 15, 2005, the Senate confirmed the appointment of Michael Gartner as a member of the Board of Regents for the term January 24, 2005, to April 30, 2005.

On Tuesday, April 12, 2005, the Senate confirmed the reappointment of Michael Gartner as a member of the Board of Regents for the term May 1, 2005, through April 30, 2011.

All draft minutes are publicly submitted to the Board as agenda items for approval. Any changes to the minutes, as identified by the Board, are contained in the approved minutes.

Approved minutes from January 1995 through April 2006 are available on the Board's website: <http://www2.state.ia.us/regents/Meetings/Minutes/minutes.html> Minutes previous to that time are available in the Board Office.

2. Official/final Board Minutes dating back 3 months prior to Michael Gartner's time as President to most current Minutes

The web links to the Regent minutes dating back three months prior to Michael Gartner's original appointment to the present, are as follows:

November 3-4, 2004:

<http://www2.iowaccess.org/regents/Meetings/Minutes/04minutes/dec04/Nov04minutes.pdf>

December 15-16, 2004:

<http://www2.iowaccess.org/regents/Meetings/Minutes/04minutes/dec04/dec04.pdf>

Questions for Government Oversight Committee Regarding Board of Regents

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December 29, 2004:

<http://www2.iowaccess.org/regents/Meetings/Minutes/04minutes/dec04/dec2904.pdf>

February 2-3, 2005

<http://www2.iowaccess.org/regents/Meetings/Minutes/05minutes/0205.pdf>

March 14-15, 2005:

<http://www2.iowaccess.org/regents/Meetings/Minutes/05minutes/0305.pdf>

April 16, 2005:

<http://www2.iowaccess.org/regents/Meetings/Minutes/05minutes/041605.pdf>

April 18, 2005:

<http://www2.iowaccess.org/regents/Meetings/Minutes/05minutes/041805.pdf>

May 4-5, 2005:

http://www2.state.ia.us/regents/Meetings/DocketMemos/05Memos/jun05/0605_ITEM01a.pdf

June 13-14, 2005:

http://www2.state.ia.us/regents/Meetings/DocketMemos/05Memos/aug05/0805_ITEM02a.pdf

August 3-4, 2005:

<http://www2.state.ia.us/regents/Meetings/DocketMemos/05Memos/sep05/0805minutes.pdf>

September 14-15, 2005

http://www2.state.ia.us/regents/Meetings/DocketMemos/05Memos/nov05/1105_ITEM08a.pdf

November 2-3, 2005

http://www2.state.ia.us/regents/Meetings/DocketMemos/06Memos/feb06/0206_ITEM10a.pdf

December 6, 2005:

http://www2.state.ia.us/regents/Meetings/DocketMemos/06Memos/feb06/0206_ITEM10b.pdf

February 1-2, 2006:

http://www2.state.ia.us/regents/Meetings/DocketMemos/06Memos/mar06/0306_ITEM13a.pdf

February 8, 2006:

http://www2.state.ia.us/regents/Meetings/DocketMemos/06Memos/mar06/0306_ITEM13b.pdf

March 20-21, 2006:

http://www2.state.ia.us/regents/Meetings/DocketMemos/06Memos/may06/0506_ITEM13a.pdf

April 3, 2006:

http://www2.state.ia.us/regents/Meetings/DocketMemos/06Memos/may06/0506_ITEM13b.pdf

May 3-4, 2006:

Not yet available.

3. Who made the decision to hire Michael Gartner as President of the Regents?

Iowa Code §262.9 states that the Board of Regents shall, each even-numbered year, elect from its members, a president of the board, who shall serve for two years.

At the April 18, 2005, meeting of the Board, President Pro Tempore Robert Downer placed Regent Michael Gartner's name in nomination for the President of the Board of Regents to fill the unexpired term through April 30, 2006. Regent Jenny Rokes seconded the nomination. No further nominations were made. Motion carried unanimously.

At the March 20-21, 2006, meeting of the Board, Regent Jenny Rokes placed Michael Gartner's name in nomination for President and Regent Mary Ellen Becker seconded the motion to approve the election of Michael Gartner as President for the term expiring April 30, 2008. No further nominations were made. Motion carried unanimously.

Members of the Board of Regents are volunteers. By state statute (§7E.6), Board members may receive a per diem of \$50 and reimbursement of necessary and reasonable expenses. Not all Regents accept the state per diem or submit for reimbursement of expenses. In fact, some members of the Board have never received the state per diem or submitted a claim for reimbursement of Board-related expenses.

4. Was Bob Downer considered in the hiring process to be President of the Regents? If so, what was the reasoning not to hire him?

Iowa Code §262.9 states that the Board of Regents shall, each even-numbered year, elect from its members, a president of the board, who shall serve for two years.

At the April 21, 2004, meeting of the Board of Regents, Regent John Forsyth (newly elected president of the Board) presented Regent Robert Downer as the person who he would like to serve as President Pro Tempore. Regent John Forsyth moved to ratify the nomination of Regent Robert Downer for the position of President Pro Tempore, for the term beginning May 1, 2004, and ending on April 30, 2006. Regent Dave Neil seconded the motion. Motion carried unanimously.

As indicated in the preceding question, Regent Robert Downer nominated Regent Michael Gartner for the presidency of the Board of Regents in April 2005.

Members of the Board of Regents are volunteers. By state statute (§7E.6), Board members may receive a per diem of \$50 and reimbursement of necessary and reasonable expenses. Not all Regents accept the state per diem or submit for reimbursement of expenses. In fact, some members of the Board have never received the state per diem or submitted a claim for reimbursement of Board-related expenses.

5. Dates of David Skorton's time as President

March 1, 2003, to June 2, 2006

6. Dates of Bob Bowlsby's time as Athletic Director

August 1, 1991, to July 9, 2006

7. Dates of Mary Sue Coleman's time as President

December 27, 1995, to August 1, 2002

8. Any e-mails relating to David Skorton's departure

See attached documents. Copies of all correspondence and e-mail to David Skorton concerning his appointment as president of Cornell University are included. It should be noted that these were requested by and provided to the media previously in response to an open records request. As a result, pursuant to Iowa Code section 22.7.18, the names, addresses, and other identifying information of individuals outside of government were redacted to the extent it could be reasonably believed that those individuals would have been discouraged from sending those messages if they were made available for general public examination.

9. Any e-mails relating to Bob Bowlsby's departure

The University of Iowa states that none are available.

10. Any e-mails relating to Mary Sue Coleman's departure

The University of Iowa states that none are available.

11. Salary of David Skorton at the University of Iowa compared to new employment

Per Iowa Code §262.9, the Board of Regents shall elect the president of each of the institutions of higher learning and fix their compensation.

President Skorton's salary for FY 2006 was \$302,050. The University does not have information on his salary/compensation at Cornell University because Cornell is a private university.

However, research by the Board Office in response to this question identified a listing in the Chronicle of Higher Education of 2003-04 data, which shows the most recent president of Cornell University, Jeffrey S. Lehman, earned an annual salary of \$630,747 (total compensation of \$675,027).

12. Salary of Bob Bowlsby at the University of Iowa compared to new employment

Bob Bowlsby's current salary is \$366,081 with provision for additional longevity payments and annual incentive bonus payments. The University does not have information on his salary/compensation at Stanford University because Stanford is a private university.

13. Salary of Mary Sue Coleman at the University of Iowa compared to new employment

Mary Sue Coleman's salary at the University of Iowa at the time of her departure was \$281,875. According to the Chronicle of Higher Education's most recent on-line salary survey, her salary at the University of Michigan is \$724,604.

14. Any documents relating to employment policies prior to Michael Gartner's time as President

The current Board employment policies, which include all changes since Michael Gartner's time on the Board (January 2005), can be found at the following web link:

<http://www2.state.ia.us/regents/Policies/Chapter%204/Chapter%204.pdf>

The changes to the employment policies, identified in the response to the following question, were based on requests from the institutions.

15. Any documents relating to employment policies under Michael Gartner

Changes in Regent Employment Policies since January 2005

March 14-15, 2005 Meeting

Career Status Furlough Option, University of Iowa

http://www2.state.ia.us/regents/meetings/Committees/HRMemos/Mar05/0305_HR04.pdf

May 4-5, 2005 Meeting:

P&S Flexible Pay Plan, University of Iowa

http://www2.state.ia.us/regents/meetings/Committees/HRMemos/May05/0505_HR02.pdf

June 13-14, 2005 Meeting:

Personal Conduct Rule

http://www2.state.ia.us/regents/Meetings/Committees/EDUMemos/jun05/0605_EDU08.pdf

September 14-15, 2005 Meeting:

Emergency Leave Carryover Rule

http://www2.state.ia.us/regents/Meetings/Committees/HRMemos/sep05/0905_ITEM05d.pdf

February 1-2, 2006 Meeting:

Request for Exception to Board Policy for Convertibility of TIAA/CREF

http://www2.state.ia.us/regents/Meetings/DocketMemos/06Memos/feb06/0206_ITEM06d.pdf

May 3-4, 2006 Meeting:

Renewal of Phased Retirement Policy

http://www2.state.ia.us/regents/Meetings/DocketMemos/06Memos/may06/0506_ITEM06c.pdf

Revision of Policy Manual Recognition of Exceptional Performance

http://www2.state.ia.us/regents/Meetings/DocketMemos/06Memos/may06/0506_ITEM06d.pdf

Renewal of Career Status Lump Sum Furlough Option

http://www2.state.ia.us/regents/Meetings/DocketMemos/06Memos/may06/0506_ITEM06e.pdf

16. Regents efficiency/streamline report from 10-12 years ago, most likely administered through Marvin Pomerantz

The most recent Regent organizational review utilizing a consultant, similar to that conducted under the leadership of Regent President Marvin Pomerantz, began in July 2001. (Mr. Pomerantz served on the Board from May 1, 1987, through April 30, 1993, and again May 9, 1995, through May 1, 1996.)

At its July 18 – 19, 2001, meeting, the Board of Regents voted to engage the services of a consultant, MGT of America, based on responses to requests for proposals, for an organizational review. Phase I was the identification of areas to be studied in Phases II and III.

The Board received its first organizational review report at the October 17-18, 2001, meeting:
<http://www2.state.ia.us/regents/Meetings/DocketMemos/01Memos/oct01/octgd13.pdf>

A follow-up report from Phase I that provided recommendations for Phases II and III at its January 16, 2002, meeting:
<http://www2.state.ia.us/regents/Meetings/DocketMemos/02Memos/jan02/jangd27.pdf>.

A status report on Phase II at its July 17-18, 2002, meeting:
<http://www2.state.ia.us/regents/Meetings/DocketMemos/02Memos/jul02/julgd05.pdf>

Recommendations for approval at its September 18-19, 2002, meeting:
<http://www2.state.ia.us/regents/Meetings/DocketMemos/02Memos/sep02/GD7/sepqd7.pdf>

Exhibit A

<http://www2.state.ia.us/regents/Meetings/DocketMemos/02Memos/sep02/GD7/exhibita.pdf>

Exhibit B

<http://www2.state.ia.us/regents/Meetings/DocketMemos/02Memos/sep02/GD7/exhibitb.pdf>

Exhibit C

<http://www2.state.ia.us/regents/Meetings/DocketMemos/02Memos/sep02/GD7/exhibitc.pdf>

Exhibit D

<http://www2.state.ia.us/regents/Meetings/DocketMemos/02Memos/sep02/GD7/exhibitd.pdf>

Exhibit E

<http://www2.state.ia.us/regents/Meetings/DocketMemos/02Memos/sep02/GD7/exhibite.pdf>

Exhibit F

<http://www2.state.ia.us/regents/Meetings/DocketMemos/02Memos/sep02/GD7/exhibitf.pdf>

Exhibit G

<http://www2.state.ia.us/regents/Meetings/DocketMemos/02Memos/sep02/GD7/exhibitg.pdf>

A report on state regulatory statutes at its October 16-17, 2002, meeting:
<http://www2.state.ia.us/regents/Meetings/DocketMemos/02Memos/oct02/octgd11.pdf>

A follow-up report at its January 15-16, 2003, meeting:
<http://www2.state.ia.us/regents/Meetings/DocketMemos/03Memos/jan03/jangd07.pdf>

A final results report at its June 18-19, 2003, meeting:
<http://www2.state.ia.us/regents/Meetings/DocketMemos/03Memos/jun03/jungd09.pdf>

17. Report covering how the Regents pursued the recommendations of the efficiency study

The documents linked in the previous question, containing hundreds of pages, identify the recommendations pursued and the achievements accomplished by the Regents and their institutions as a result of the Regent-wide organizational review.

Beginning in FY 2002, state appropriations to the Board of Regents and its institutions were dramatically reduced: for FY 2002 by \$81.9 million (12%); for FY 2003 by another \$42.6 million (7%); and for FY 2004 by \$31.3 million (5%).

Iowa Code §262.9 states that the Board of Regents shall direct the expenditure of all appropriations made to its institutions, and of any other moneys belonging thereto.

After three years of significant budget cuts and a projected gap between projected state revenues and committed expenditures for FY 2005, the possibility of further reductions in state support to the Regent institutions was a serious concern.

The Board, at its December 15-16, 2003, meeting, adopted a resolution to provide contingent direction to the institutions. The Board directed the University Presidents to propose methods to achieve administrative efficiencies and other cost containment measures through enterprise-wide collaboration or the creation of enterprise-wide non-academic, administrative services. The Presidents were also asked to consider a series of unpopular and potentially harmful alternatives to meet further reductions in state appropriations.

For example:

The internal audit functions at the three universities were evaluated; new Regent-wide internal audit policies were adopted to voluntarily adopt certain key provisions associated with the Federal Sarbanes-Oxley Act; best audit practices were employed; and the three university internal audit departments were combined under one Regent-wide Internal Audit Director.

http://www2.state.ia.us/regents/Meetings/Committees/AUDMemos/nov05/1105_ITEM10c.pdf

In addition, numerous other initiatives were undertaken to streamline processes and implement efficiencies. (See attached letter dated January 24, 2006.)

18. Average time a university professor spends in the classroom

Average time a university professor spends in the classroom is one of three components on which faculty members, especially if tenure-eligible, are regularly evaluated. A portfolio approach for faculty members includes three key elements: teaching, research, and service. Faculty members who are on the tenure-track are evaluated first on their teaching. The other two components (research and service) do not compensate for teaching skills. Sponsored and non-sponsored research, especially at SUI and ISU, leads to improvements in their fields and development of new technology (patents, economic development, etc.). Service is the "payback" to the professional fields, the community, society, etc.

- ♦ At SUI, the average number of hours worked per week by faculty is 57.4. Faculty members spend 36.2% of their effort on teaching, 34.8% on sponsored and non-sponsored research, 12.1% on administrative activities, and 17.0% on university and public service.

- ♦ At ISU, the average number of hours worked per week by faculty is 57.9. Faculty members spend 46.8% of their effort on teaching, 36.0% on sponsored and non-sponsored research, 5.0% on administrative activities, and 12.3% on university, public, and professional service.
- ♦ At UNI, the average number of hours worked per week by faculty is 53.4. Faculty members spend 68.1% of their effort on teaching, 16.4% on sponsored and non-sponsored research, 8.2% on administrative activities, and 7.3% on university, public, and professional service.

19. Names of the 11 investors in the Capitol City Mall purchase in 2003

OC Groups, L.C.
D/B/A Old Capitol Town Center Ownership Group

Mike Hodge
Greg Apel
Dean Oakes
Robert Barker
Ken Albrecht
Randy Ward
Tony Hodge
Gary Hodge
Aaron Darrell
Dave Hodge
Kevin Digmann

20. Relationship of each of the 11 investors to the University of Iowa or other Regent universities

Copies of the Conflict of Interest Reviews associated with the Mall Property are enclosed.

21. How was the decision not to purchase the Capitol City Mall in 2003 reached? Specific names and titles of those involved

In 2003, the University of Iowa did not have a compelling space need that fully justified the purchase of the Mall. At that time, the University explored potential uses of the Mall. It was determined that the University's needs were not a good match for the Mall space.

During the decade prior to 2003, the Old Capitol mall declined rapidly as a commercial center and the Iowa City community very much wanted to see strong retail remain there as a part of the downtown. The University had the same interests in the downtown, but did not want the responsibility or risk of being a mall developer. Since it was felt the University space needs would not justify the purchase of the entire Mall and the University had no expertise or interest in managing a retail space, the decision was made to not purchase the Mall in 2003.

In 2005, the potential of a joint ownership arrangement (condominium purchase) became available when the owners were unable to attract sufficient retail and commercial interest. This arrangement permitted the University to acquire space without having to assume the role of a mall developer or operate a retail lease business. This possibility of space on the East Campus, coupled with the decision to build the Recreation facility on the East Campus, and the space requirements for the Joint Office of Patient Financial Services made the Mall acquisition attractive, justifiable, and viable. For details, see attachments associated with question 22 and the following web link: <http://www.masterplan.facilities.uiowa.edu/Maps/MainSouth/index.htm> .

Those involved:

David Skorton, President

Douglas True, Senior Vice President and Treasurer

22. How was the decision to purchase the Capitol City Mall [sic] reached this year? Specific names and titles of those involved

Enclosed are copies of documents submitted to the Board of Regents for the three executive sessions and the two public meetings related to the Mall Phase I and Phase II acquisitions. These documents provide a thorough statement of the details regarding the justification for the purchase, planned uses of the property, and financial arrangements.

Those involved:

David Skorton, President

Douglas True, Senior Vice President and Treasurer

Dennis Domsic, Associate Vice President

John Staley, Senior Director UIHC

Board of Regents

23. Planning records from the departments that will be in the mall complex dating back 10 years

The most thorough summary of departmental needs is contained in the documents attached to the preceding question. In reviewing these documents, the primary reason for the Phase I (Younkers) acquisition was the centralization of the University of Iowa Hospitals and Clinics (UIHC) and Carver College of Medicine, Joint Office of Patient Financial Services. Whereas the Phase II acquisition was essentially a function of the decision to place the Recreation Building on the east side of campus.

The linked Board of Regent minutes for September 2004

<http://www2.iowaccess.org/regents/Meetings/Minutes/04minutes/nov04/sep04.pdf> (page 31)

and for February 2006 Board minutes

http://www2.state.ia.us/regents/Meetings/DocketMemos/06Memos/mar06/0306_ITEM13a.pdf

(page 5) verify that the Board authorized the University to proceed with project planning for the East Campus Recreation Center/Field House Renovation. Prior to that time, it had been the University's intent to build the recreation facility on the West Campus on unoccupied University land.

Further details are available in the following Board docket materials:

http://www2.state.ia.us/regents/Meetings/DocketMemos/Mar05/0305_ITEM19.pdf and

http://www2.state.ia.us/regents/Meetings/DocketMemos/04Memos/sep04/0904_ITEM18.pdf.

24. Who determines the University of Iowa's policy of expansion and real estate purchase?

Board of Regents

Real estate purchases for all Regent institutions are subject to the provisions of Iowa Code, Chapter 262 (Sections 9, 10, and 11) and the Regent Policy Manual. These statutes and policies state that the Board is responsible for the management and control of real and personal property of the institutions under its control and is authorized to acquire real estate for the use of the Regent institutions. All actions relating to the purchase of real estate are approved by roll call vote of the Regents.

Under Board policy, property to be purchased is to be acquired at no more than the high appraisal or not more than 5 percent over the average of two appraisals, whichever is the lower figure. The policy is not intended to limit negotiation for a price lower than the appraised value. It is also the policy of the Board to provide for the orderly use and development of land and related natural resources.

The following is the link to the applicable section of the Regent Policy Manual:

<http://www2.state.ia.us/regents/Policies/Chapter%209/Chapter%209.pdf>

The Board of Regents acts on requests for real estate purchases upon recommendations of the heads of the institutions.

University of Iowa

The University of Iowa recently completed a Campus Master Planning document and the process which led to that document does much to define the University's interests in acquisition of property to meet current and prospective University needs. The University Campus Planning Committee had a substantial role in the planning process. This committee has faculty, staff and student members appointed by each constituency group. The Senior Vice President for Finance and Operations, with the President's approval, makes recommendations to the Board of Regents regarding real estate transactions.

Campus Master Plan related documents may be viewed online at:

<http://www.masterplan.facilities.uiowa.edu/> (Please be sure to view the interactive map and the guiding principles at this link. The guiding principles include the campus framework, the University's educational mission, stewardship of buildings and land, preservation and enhancement of the campus, promotion of a pedestrian-oriented campus, and the enhancement of the quality of the visual environment.)

The University of Iowa Master Plan as presented to the Board in March 2006:

http://www2.state.ia.us/regents/Meetings/DocketMemos/06Memos/mar06/0306_ITEM03b.pdf

Please note that in the University of Iowa Campus Master Plan, the Old Capitol Mall is referred to as the University Capitol Center.

During development of the Campus Master Plan, the University consultant, Sasaki Associates of Watertown, Massachusetts, recommended the following statement regarding land purchase:

"Although the total estimated future building capacity of the campus districts amounts to about 5 million gross square feet, many of the available building sites are in locations that may not be

optimally suited for the types of new uses that need to be accommodated. For example, the Myrtle Avenue site in the Boyd Law District has a significant potential capacity, but it is both an important existing parking venue and geographically isolated from nearly all other campus functions. This situation dictates that the University considers, as it has in the past, the acquisition of available properties that are immediately adjacent to the existing concentrations of University facilities on the East and West Campuses. Recent University acquisition of part of the Old Capitol Mall is an excellent example of a strategic acquisition that provides valuable building space in a part of campus that has a high demand for space and limited available land for new buildings.

It is also recommended that the University continually review opportunities to acquire appropriately located land in a reasonable proximity to the campus (for example, the Mossman Business Service Building) that would be useful in accommodating University Operations and Support functions. With the future development of the East Campus Recreation Center and anticipated academic related facilities south of Court Street, Support and Operations functions in this area will require new sites separated from the academic core.”

Any land purchase requires Board of Regents approval.

Point of Clarification – The OC Group, Inc. purchased the Old Capitol Mall in 2003 at a price of \$12 million. This was a straightforward real estate acquisition with no renovation cost involved. The University of Iowa purchase price for the building and associated land of the Phase I (2005) and Phase II (2006) acquisitions is \$15.3 million. The Phase I Younkers space of 68,000 gross square feet (GSF) cost is \$100 per square foot. The Phase II second floor space of 78,425 GSF is \$85 per square foot while the basement space of 22,760 GSF cost is \$80 per square foot. The Phase I and II acquisitions combined will provide the University with a 62% ownership of the Mall space and right-of-first refusal for all remaining portions of the real estate. The horizontal condominium purchase is being done as a turnkey arrangement. Thus, renovation costs to prepare the space for occupancy by the University units is in addition to the above noted acquisition cost.

25. Who determines the University of Northern Iowa’s policy of expansion and real estate purchases?

The Board of Regents, upon recommendations of the President of the University.

The policy of expansion and real estate purchases at the University of Northern Iowa is determined by the President upon recommendations from the Cabinet and the Facilities Planning Advisory Committee (an advisory committee to the President’s Cabinet with broad campus representation).

Recommendations to the Board of Regents regarding the purchase or swap of real estate are determined, in large part, by how the real estate fits into the University’s Campus Master and Strategic Plans.

Any land purchase requires Board of Regents approval.

26. Who determines Iowa State University's policy of expansion and real estate purchases?

The Board of Regents, upon recommendations of the President of the University.

Iowa State University has a campus master plan guiding its physical development over the next 20 to 30 years. This plan is updated approximately every five years and attempts to project future growth and development. The University has been fortunate to have a central campus with sufficient land that it has not recently acquired real estate, nor does it have any immediate plans to do so. In addition to the central campus area, a plan exists for outlying agricultural areas. The Vice President for Business and Finance, with the President's approval, makes recommendations to the Board of Regents regarding real estate transactions.

The University's agricultural land use plan has involved both the acquisition and sale of land. The University recently completed the sale of the Ankeny Farm, as directed by the General Assembly, and acquired land immediately south of the campus for a new Dairy/Animal Science Teaching and Research facility.

Any land purchase requires Board of Regents approval.

27. Latest figures of university graduates that stay in Iowa upon graduation

Most recent data indicates that of the 1999-2000 graduates, the percent of graduates employed in the state of Iowa was 53.4%.

If you have any questions or need more information, please don't hesitate to contact this office.

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cc: Members of the Board of Regents
University Presidents
Legislative Leaders
Government Oversight Committee Members
Government Oversight Committee Staff
Mary Shipman, Legislative Service Agency
Joe Romano, House Democratic Caucus Staff
Ann McCarthy, House Republican Caucus Staff
Teresa Kehoe, Senate Democratic Caucus Staff
Bridget Godes, Senate Democratic Caucus Staff
Peter Matthes, Senate Republican Caucus Staff
Kris Bell, Governor's Office
Regent Legislative Liaisons
Regent Legislative Log
Media

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Teresa A. Wahlert, *Waukegan*

Gary W. Steinke, *Executive Director*

TO: Michael Gartner

FROM: Gary Steinke

TOPIC: Summary of Regent and University Administrative Efficiencies

DATE: January 24, 2006

For many years, the Regent Universities have enhanced numerous administrative processes. These internal administrative improvements greatly assisted the universities during years of reduced state appropriations and aided them when strategically reallocating limited resources. In keeping with the Board of Regents' commitment for continuous improvement, in December 2004, the Board directed the Universities to focus more intently on administrative efficiencies and other cost containment measures.

The attached pages summarize the Regent activities and successes. The accomplishments highlighted saved time and money by providing numerous process improvements that greatly impacted efficiency and effectiveness. Because of the breadth of positive actions taken by the Regent Universities, the following bullets list other University achievements.

- ♦ University of Iowa – other inter-institutional administrative efficiency initiatives include printing, immigration services, E-Learning (technology and related academic services directly involved in the process of teaching and learning), and development of a facilities valuation model for calculating facilities replacement cost; as well as UI administrative transformation review initiatives in the areas of information technology services, worker's compensation work redesign, student parking application process, copy cost reduction, fingerprinting process of Department of Public Safety, and review of operations of Cashier's Office.
- ♦ Iowa State University – In addition to the examples listed above, Iowa State University is involved in a variety of other inter-institutional administrative initiatives in the areas of: printing, immigration services, E-learning, development of a facilities valuation model for calculating facilities replacement cost; as well as ISU administrative transformations in the areas of information technology services, electronic storage of data, print/copy cost reduction, and web based requisitioning, payables, travel, electronic departmental cash deposit, and electronic personnel action systems.
- ♦ University of Northern Iowa – The University of Northern Iowa is involved in numerous other administrative efficiency initiatives, such as; enhancement of new Budget System to better track reallocation data; integrating Facilities Services job cost with Oracle applications; implement a Facilities Services project costing software package; implement Oracle iProcurement; and worker's compensation safety training.

Additional details on the featured areas and the listings above are available from the Board Office.

Regent Administrative Efficiencies Executive Summary

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REGENT-WIDE INITIATIVES

ADMINISTRATIVE EFFICIENCY

OUTCOME

Broadcast Services

Iowa Public Radio (IPR) established 2004. Combined the three Regent university radio stations. Hired Cindy Browne as the first IPR Director fall 2005.

Enhance public radio services to Iowa residents, including western Iowa and other areas of the State not reached by the stations' signals, achieving efficiencies through collaboration. Greater focus on private support through expanded individual donations and company underwriting to reduce dependence on tax revenues. Reduction of competition between stations for audiences and funding. More strategic planning for licenses.

Fleet Operations

Inter-institutional interaction. The ISU fleet manager serves as the coordinator among the three universities while each university maintains a local base of fleet operations and services.

Collaboration and consistency among the three Regent institutions including rate setting and charge back methodology, joint contracts, coordinating the fleet safety program, fleet disposal, lowest possible cost per mile and high quality service.

Internal Audit

Centralized management of the three Regent institutions internal audit functions under the Board's Audit and Compliance Committee. Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's effectiveness. Todd Stewart was appointed as Regent Director of Internal Audit, fall 2005.

Conduct Regent-wide audits and individual institution audits within, single Regent audit policy and procedures, using standardized reporting format. Knowledge is exchanged among various audit groups & operations to ensure enhanced internal audit function and more effective and efficient processes. Consistent time keeping/budget control methodology.

Risk Management

Continuation of long-standing inter-institutional cooperation. Regent coordinator is the UI Risk Manager. Purchasing of insurance, collection and dissemination of risk management information, claims administration and the identification and mitigation of risk. Establishment of Risk Committee.

Risk Committee to facilitate collaboration and identify inter-institutional opportunities. Maximizing insurance programs and combined insurance purchases where feasible to generate maximum savings or cost avoidance. Minimum standards applicable to all institutions. Cooperative efforts such as the use of a single Risk Management Information and Claims Administration System now underway.

Regent Administrative Efficiencies Executive Summary

Page 3

UNIVERSITY OF IOWA

ADMINISTRATIVE EFFICIENCY

OUTCOME

Employee Self Service/Work Flow

Enables 20,000 faculty and staff and almost 30,000 students, through direct electronic access independently to perform administrative processes and functions such as reviewing and updating personal information, updating and querying payroll and benefits information, managing all human resource data and performing job-related and academic functions; conducting purchasing and travel transactions; paying tuition and registering for classes. Benefits include reduced phone calls and reduced walk-in traffic.

Staff reallocated to other tasks from data entry; elimination of duplicate data entry and related errors; users gained real time access to data extraction, analysis, and performance of functions; total "hits" to business and HR self-service functions are 2.08 million per year, averaging 5,700 per day with first year savings of \$600,000; total student "hits" were 8.2 million during the last three weeks, with 31,462 logged on users and up to 1500 students on-line at the same time; employee self-service usage increased from 17% in 2000 to 95% in 2005; central HR paper distribution reduced by 1.4 million sheets; reduced costs of \$707,200 in purchasing over five years; manual data entry of 172,000 forms eliminated within purchasing/accounts payable/travel.

Student Insurance

Upon UNI's notification of program cancellation by its student insurance carrier, UNI students shifted to participation in UI's student insurance plan.

550 UNI students transitioned to UI's student health plan effective Fall, 2005; comprehensive, flexible coverage now available to UNI students at lower cost; and increased number of participants results in insurance risk spread over a greater population of students.

Generic Drugs

Pilot program beginning January 1, 2006 to increase usage of generic drugs by offering faculty and staff participants in UI health care plans free generic drugs. Generics represent 20% of drug dollars and 46% of total prescriptions.

Anticipated savings of \$300,000 in first year, with the potential for increased savings in the millions of dollars if more generic equivalents are offered and more individuals enter program—benefiting staff through personal savings and the UI through reduced costs for drug spending.

Utilities and Energy Management

Strategies to produce continuous, uninterrupted utility services safely and cost-effectively include: burning renewable energy (waste oat hulls) to reduce cost and reliance on coal; creation of Energy Conservation Advisory Council to encourage campus energy conservation; determine an investment plan to ensure reliability by considering how and when to expand to ensure diversification of energy sources; developing a centralized building controls strategy to optimize building systems performance; and developing a commissioning program to ensure properly installed and optimally operating building mechanical systems for efficient utilities and energy use.

Met General Education Fund expenditure reduction targets through conservation methods; became one of first public universities in 2003 to join Chicago Climate Exchange through burning biomass; this year became an Energy Star Partner with US Environmental Protection Agency. Annual savings from burning waste oat hulls is \$500,000.

Regent Administrative Efficiencies Executive Summary

Page 4

IOWA STATE UNIVERSITY

ADMINISTRATIVE EFFICIENCY

OUTCOME

Self-Service/Web-Based Processes

Iowa State University's self-service secure Web site, AccessPlus, was created to be used by students, faculty, staff, and third parties for 24-hour access to confidential university information and services. AccessPlus has enabled the university to eliminate paper reports, move from manual to electronic processes, while increasing customer service. Hits (times each page is accessed) on AccessPlus continue to increase each year. There were a total of 149.5 million hits in FY 2005, including:

- Financial Aid 18.5 million
 - U-Bill (view and pay) 13 million
 - Register for Classes/View Grades 41.7 million
 - Payroll and Vacation/Sick Leave 4.7 million
- Students use AccessPlus to apply for admission, reserve a residence hall room, register for classes, buy books, pay bills, and view grades online.

The ability for students to help themselves frees staff to counsel students with the hard questions. Each hit on AccessPlus means one less phone call, one less visit to a university office, and fewer paper documents to print, process, and file.

Annual savings from the elimination of paper documents such as pay stubs, U-bills, midterms, final grades, class schedules, financial aid communication and awards, and employee benefit enrollment is well over \$380,000.

Savings from implementation of Web-based processes such as the online requisitioning system for Purchasing, Central Stores, and the University Book Store resulted in a reduction of 5 FTE, reallocation of 3 FTE, and a 30% reduction in cost of University Book Store inventory. The online training system created by FP&M (FP&M Academy) has reduced \$40,000 in off-site training.

Consolidation

- Facilities Management Stores group merged with the Central Stores operations. The Controller's Department and Purchasing integrated their accounts payable functions.
- July 2005, ISU merged four university information technology (IT) units into one group.
- Reduction of 7.75 FTE, while at the same time increasing efficiency.
- Reduced cost while providing a reliable, innovative, and cost-effective IT infrastructure.

Business Efficiencies

- University Book Store increased availability of used textbooks from 22% to 42%.
- Began in-house collection of outstanding accounts receivables.
- University entered into an agreement with pharmacy benefits manager.
- In 2001, ISU set an energy savings consumption goal of \$1.5 million.
- FP&M created an online training system and sold software "code" to a software provider in exchange for free use of certain products and no increase in software maintenance costs for the next ten years.
- EH&S entered into a 28E agreement with the Iowa Department of Public Health for disposal of radioactive materials.
- EH&S staff serves on the radiological emergency response team for the State of Iowa.
- Saved students more than \$1 million over new textbook prices in 2005.
- Reduced collection costs paid by ISU departments \$200,000.
- Reduced pharmacy spend on our self-funded plan by approximately \$1 million per year.
- The \$1.5 million goal was met for FY 02 and almost \$6 million has been saved in the last four years.
- The approximate value of this arrangement is expected to be \$1.5 million over the next ten years.
- The 28 E agreement with the Iowa Dept. of Public Health results in an annual savings of \$15,000.
- Iowa Homeland Security and Emergency Management funds as least 1 FTE for EH&S.

Administrative Efficiency Recognition

Iowa State University Facilities Planning and Management recently received notification of winning the Governor's Iowa Recognition for Performance Excellence silver level of achievement award. The prestigious award is aligned with the Malcolm Baldrige National Quality Award, and the Criteria for Performance Excellence are used for the assessment.

In the past four years, there have been 43 applications for the Performance Excellence awards, and 17 have been recognized for their achievement; five at the silver level, and 12 at the bronze level. This is the second time FP&M has been recognized for its performance excellence. FP&M was recognized in March 2005 with the IRPE Bronze Achievement Award.

Regent Administrative Efficiencies Executive Summary

Page 5

UNIVERSITY OF NORTHERN IOWA

ADMINISTRATIVE EFFICIENCY

OUTCOME

Administrative Systems

Old Legacy systems replaced with Oracle, web-based state-of-the-art technology. Implemented modules include: General Ledger, Purchasing, Accounts Payable, Cash Management, Human Resources, Advanced Benefits, Payroll and Labor Distribution, and, in-process, a Budget Development system.

Electronic creation of requisitions with workflow for routing and approvals; one-time entry of data at the requester level; on-line reports versus paper mailed reports (\$8,000); financial data available in real-time in summary (drill-up) or detail (drill-down); bi-weekly payroll for students; electronic timecards.

Print Services

Reduction in operations due to changes in copy and printing technology, online publishing, and increase in direct departmental printing.

Reduction of 3.75 staff for savings of \$181,000.

Follon Student Services Center

A collaborative effort of departments from Educational and Student Services and Administration and Finance, to more efficiently process transactions and provide services to students, staff and visitors through a reorganization of offices in Gilchrist Hall (administration building).

Created the Follon Student Services Center through a reorganization of Gilchrist Hall; created a one-stop shop for students and staff; many processes redesigned; cross-functional staff training; greatly improved web access for students to answer many questions or receive assistance from FSSC staff.

Purchase Partnering

Purchasing has collaborated with various organizations, both external and internal, to realize savings when purchasing products and services.

Purchased software products, such as; WebTrends, AutoCad and Adobe Acrobat with cost savings for the software, hardware, licensing and maintenance costs for each organization.

Facilities Services

University Physical Plant and Facilities Planning units integrated into one unit. The goal was to maximize resources, reduce duplication of efforts, and streamline activities and processes.

Created the Facilities Coordination Center for one-stop location for facilities action requests and management; reorganized Grounds Operations in accordance with campus master planning study; consolidation of two warehouses into one; created Surplus Store to dispose of surplus property; Just-In-Time inventory program with vendors; utilities cost control with central digital control system; the Mail Center operations partnered with University of Iowa which has negated the need for capital equipment investment, eliminated a mail clerk position (\$45,000), realized \$70,000 savings in mailing costs the first year.

Services for Students/Staff

Facilitate administrative transactions and services for students/staff.

Electronic U-bills and collection of student payments has resulted in significant reduction in forms cost, postage, and staff time (\$30,000); student refunds processed via ACH (\$5,000); Personalized Admissions Web Site (PAWS) aimed at prospective students; Performance Assessment System to evaluate student progress; streamlined the student/staff timecard process; allow students to update personal information via the Web which greatly reduces data entry for staff.

**University of Iowa
Conflict of Interest Review Summary**

Date: February 14, 2006

Vendor: OC Group

Notification Via: Vendor File Application states conflict situation.

Conflict: Partners Cindy Digman works at UIHC – Kevin Digman is a partner at OC Group.

Research Notes: Kevin Digman holds 2.5% interest in OC Group per contact with Jennifer Ross, Assistant Manager OC Group. Conflict of Interest policy states that the party of interest must hold 5% or more to qualify as a conflict of interest vendor.

Result: Vendor is not a conflict of interest vendor and thus, does not require BOR approval. Vendor is approved for payment.

Reviewed by: Jennifer Jark and Debby Zumbach



Purchasing, Accounts Payable & Travel
202 PCO
Iowa City, Iowa 52242-2500
319/335-0115 fax 319/335-2443
www.uiowa.edu/~purchase

Conflict of Interest Review Summary

Date: February 14, 2006

Vendor: Kennedy, Cruise, Frey & Briscoe

Notification Via: Vendor File Application states conflict situation.

Conflict: Partner Kirsten Frey is an assistant adjunct professor at University of Iowa. Ms. Frey holds 30% interest in law firm.

Research Notes: Per Kirsten Frey, payment is being issued to the firm, but the money is to create an escrow account, not a payment to the law firm itself. Payment for legal fees associated from escrow service will not be issued by UI.

Result: This particular payment to Kennedy, Cruise, Frey & Briscoe is not a conflict. However, future payments to the vendor for services would require the vendor to be approved as a COI vendor. Vendor will be set up as a one time vendor. If business is required by vendor, additional review and BOR approval would be required. Vendor is approved for this payment only.

Reviewed by: Jennifer Jark and Debby Zumbach

MEMORANDUM
EXECUTIVE SESSION

To: Board of Regents

From: Board Office

Subject: Real Estate Acquisition – University of Iowa
Old Capitol Mall

Date: February 24, 2005

Recommended Action:

Receive a report from the University of Iowa regarding negotiations for the purchase and/or leasing of space in the Old Capitol Mall, in particular the acquisition of space vacated by Younkers department store.

Executive Summary:

The University has the opportunity to acquire property immediately adjacent to its central campus. The property is directly south of the Pentacrest and was recently vacated by the Younkers department store in the Old Capitol Mall.

Younkers occupied a total of 60,222 GSF on two levels of the Old Capitol Mall, and vacated this space in February of 2005.

The University and UIHC have short-term and long-term space needs which can be met by the acquisition of this property.

In addition to the Younker space that the University is considering for purchase, the Old Capital Mall developers have indicated a willingness to lease to the University additional space on the second floor of the Mall as well as 23,000 GSF of storage space in the basement of the facility. The University may consider these two additional options in the future should the right combination of cost and University needs evolve.

Upon the conclusion of negotiations, if successful, the University will return to the Board to seek its approval of the acquisition of the Younkers property. Any agreement with the owners will be subject to Regents approval.

Background:

The Property

The Old Capitol Mall (sometimes simply referred to as the "Mall") is located in downtown Iowa City, immediately adjacent to the central campus of the University of Iowa (exhibit 1). Younkers department store was in the northwest corner of the Mall, directly south of the Pentacrest and east of the Seamans Center for the Engineering Arts and Sciences (exhibit 2 – shaded area A). Younkers occupied a total of 60,222 GSF on two levels of the Mall. Younkers vacated this space in February 2005.

In 2003 the Mall was acquired by a group of local investors/developers. It is the developer's intent to locate retail stores on the first level of the Mall while opening up the second level for office use, consistent with local zoning requirements. At the time of the acquisition, the Mall developers cautioned that filling the vacant space in the Mall would be a multi-year project. Over the course of the past 18 months, these developers have made improvements and have begun to add retail and office tenants. New tenants soon to move into the facility include Hills Bank and Trust Company and Gazette Communications. The Mall developers are very interested in the University's presence within the Mall in areas that are not prime retail opportunities.

Due to its proximity to campus, this property is very attractive to the University. Acquisition of the property is in accord with the University's Master Plan and would provide border protection to the Pentacrest. Indeed, in the renewed campus master planning process now underway with the assistance of Sasaki Associates, this acquisition has been highly regarded.

The University has had preliminary discussions with the developers and thus has reason to believe that there are mutually advantageous options. As a result of these discussions, both University personnel and engineering consultants have inspected the facility and have found the property to be in satisfactory condition.

Potential Uses

The University has identified the following space needs that could be addressed with the acquisition of property (purchase or lease) in the Old Capitol Mall:

- Centralization of University of Iowa Hospitals and Clinics (UIHC) and Carver College of Medicine Faculty Practice Plan billing functions.
- Classrooms: the College of Liberal Arts and Sciences (CLAS) has requested that three classrooms located in Spence Laboratories be taken off line for security purposes.

- The University's International Program, currently located in the International Center, would benefit from a more central campus location nearer to students and its faculty who typically hold appointments in departments within the College of Liberal Arts and Sciences.
- Construction of an academic home for the College of Public Health (COPH) may require relocation and transition functions.

UIHC – Rationale for Purchase of Space within Old Capitol Mall

○ Summary

The University of Iowa Hospitals and Clinics has need for 38,000 GSF of space to consolidate in a single location its billing office and related services (JOPFS, see below). The space is required as soon as possible this year, and it is anticipated to be utilized for a minimum of five years, but most likely up to ten years. UIHC has indicated its preference to occupy the entire second floor of the former Younkers space (~30,000 GSF) for its billing functions, and to occupy 8,000 GSF of the first floor of Younkers for related activities.

○ Additional Background – UIHC

To initiate planned capital construction projects and meet growth and other requirements of selected services, the UIHC has a need for approximately 104,000 GSF of space through FY 2006. Of this total requirement, the UIHC is currently able to accommodate the vast majority of the total requirement through maximizing use of all available space. This includes using space that is vacated through completion of new facilities or renovation projects until these areas are renovated for use by another function; and use of shelled-in space that is scheduled for completion at a later date.

The consequences of not having the necessary space within the UIHC to completely meet this need is that, unless an off-site solution can be identified, a number of important capital construction projects will either need to be delayed or undertaken in a more protracted and expensive manner. These include projects to expand and renovate the Urology and Neurosurgery Clinics, completion of the phased renovation of the MRI Center, and expansion of the Pediatric Cardiac Catheterization Laboratory.

To meet the need for space not available within the UIHC, a number of possible scenarios were explored involving relocation of several different services to off-site facilities. In evaluating the various possibilities and looking at the impact on different services moving to an off-site location, it was ultimately determined that the one set of services that could best function off-site and actually benefit from an

off-site location are the pre-access and patient accounting components of the Joint Office of Patient Financial Services (JOPFS). These services are provided via telephone and written communications and include those that occur prior to the patient's arrival at UIHC such as: insurance verification, financial counseling, admitting, and registration services; and patient accounting functions, which include billing and collection from third party payors and self-pay patients. The JOPFS performs all of these activities for both the UIHC and the Carver College of Medicine's Faculty Practice Plan (FPP).

Over the last several decades these functions have evolved from a relatively simple endeavor in which hospitals were reimbursed on the basis of costs or charges and physicians were reimbursed on a fee-for-service basis to one that has become very complex. Multiple forms of reimbursement are now used by the over 1,000 federal, state and commercial payors from whom the UIHC/FPP seeks reimbursement and the requirements of these payors have steadily increased in complexity. For this reason, JOPFS patient accounting functions have grown substantially in size.

To accommodate the space needs of this growing function, a satellite JOPFS office was developed in leased space at the US Bank building in downtown Iowa City approximately four years ago. The growth has continued since that time and the department's operations, as described above, now involve 160 staff working out of offices in five different locations within the UIHC (exhibit 3) and 90 other staff who are located at the US Bank building. The logistics of managing 250 staff in multiple locations presents numerous challenges and inefficiencies. Bringing staff into one location would facilitate supervision, increase productivity, and ultimately result in increased cash flow for the enterprise.

Consolidating all of these staff in one location will require approximately 38,000 gross square feet of space. The UIHC does not have any single block of space that would meet this requirement. Developing an addition to the UIHC could address this need, but it would cost at least \$250 per gross square foot to construct and would thus be a very expensive option. For this reason, two other options have been explored in detail.

First, the possibility of developing a separate, off-site support services office building has been considered. Preliminary estimates indicate that a separate office building could provide the needed space at a cost of \$150 to \$175 per gross square foot assuming it is constructed on land already owned by the University. In addition, the costs of operating a separate office building would be less expensive than operating the same size space at the UIHC. However, identifying a suitable site, designing the structure and constructing it would at a minimum require 18 months to two years.

Second, the long lead time associated with developing a separate office building coupled with the need to find additional space within the next few months to

accommodate UIHC functions that cannot be housed in current hospital facilities, led to a thorough review of possible off-site space options that could be leased or purchased. This review has demonstrated that only the Old Capitol Mall would provide the needed 38,000 GSF in one large block of space.

For all these reasons, utilizing 38,000 GSF of space in the Old Capitol Mall to meet JOPFS needs offers the most operationally efficient and cost effective way for accommodating these functions, subject to satisfactory financial terms being reached with the owners.

General University

The remaining space on the first floor of Younkers would be available for general university usage (~22,000 GSF) and would be quite attractive to many University units. There are numerous options for the use of the first floor space including classroom space, per the request from the College of Liberal Arts and Sciences.

The International Program (IP), for example, would greatly benefit from a more central campus location and would give the international program/services enhanced recognition and prominence within the University. In 2003, the University began offering a B.A. in International Studies. Locating the IP at the Old Capitol Mall would put them closer to general assignment classrooms and to the departments from whence they draw their faculty and students – e.g.: history, economics, journalism, political science, foreign languages, anthropology, etc.

The International Program activities occupy approximately 20,000 GSF in the International Center (former College of Law facility). This space is primarily older office-type space and when/if vacated could serve as a site for new construction or as swing space or relocation space that is constantly needed. For example, it could be a candidate for use by the College of Public Health (COPH) programs housed in the nearby south wing of Westlawn if that is selected as the site of the proposed COPH academic home.

Leased space in the US Bank Building in downtown Iowa City, currently utilized by portions of the UIHC billing office functions, could likewise become available for COPH relocation or expansion of the College's research enterprise. Another option for the US Bank space is to terminate the lease that is due to expire on March 31, 2006.

The University has an immediate need to relocate three classrooms from the Spence Labs building due to security concerns expressed by the College. The recent break-in at this building highlights the imperative to provide greater access control in research facilities across campus. Further, the University is continually replacing antiquated classrooms in renovation projects across campus, the prime example of this is removing a number of general assignment classrooms in the

Chemistry Building now undergoing renovation. The University is constantly seeking to improve in quantity and quality its inventory of general assignment classroom space, particularly in areas that are easily accessible within the 10 minute walking period between classes.

Negotiating Considerations

Two formal property appraisals have been conducted. One appraisal concluded a property value of \$5.5M while the second suggested \$6.7M for the Younker's space (fit-out costs would be in addition). These two appraisals equate to a cost per gross square foot of \$91 and \$111 respectively.

It is intended that the purchase arrangement be a turn key agreement incorporating the needed fit-out renovation project and associated costs. This will permit expedited occupancy in order to timely satisfy the UIHC space need, while serving as a positive factor in the negotiation of an appropriate and advantageous purchase price for the University.

The Mall developers have indicated that absent some arrangement for the University to lease or purchase the Younkers portion of the Mall, it is their intention to build a high rise residential building at that location.

University's Position

It is the University's intent at this time to proceed with negotiations to purchase the Younkers portion of the Mall including fit-out renovations. It is the University's desire to acquire fee title to the Younkers portion of the Mall and the underlying real estate. It is in the University's interest to also acquire a right of first refusal for nearby space in the Mall for which there is no current interest in direct ownership and also a right of first refusal for the eventual purchase of the entire facility and real estate. Control of the property for future University use is a major goal of this acquisition.

The acquisition price target of the University of Iowa is as close to the lower appraisal amount as is feasible plus a reasonable cost for fit-out. Fit-out cost is estimated at \$75 per square foot or approximately \$4.5M. This cost estimate does not include furnishings.

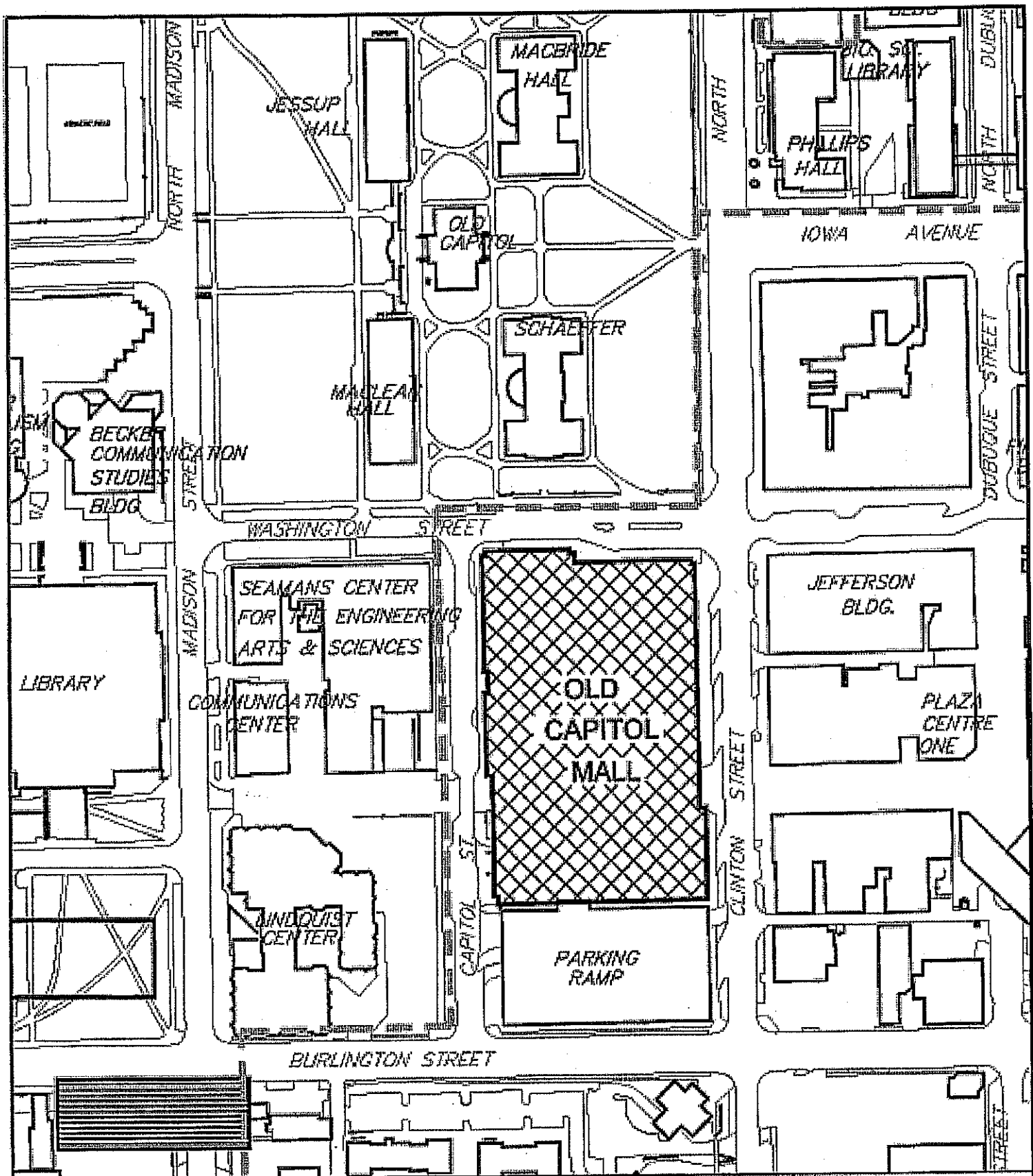
Financing Plan

It is the University's intent that if a purchase agreement is reached to finance the acquisition, including improvements, through the University of Iowa Facilities Corporation with a capital lease between the Facilities Corporation and the

Regents. At the conclusion of the financing period, it would be the University's right to have title of the property transferred from the Facilities Corporation to the University, subject to Board of Regents and state Executive Council approval.

The UI Facilities Corporation was established in 1967 as a supporting organization of the UI Foundation. It assists in the acquisition and/or construction of facilities for the benefit and use of the University. Examples of Facilities Corporation acquisitions of existing properties include the purchase of the Multi-Tenant Research Facility at the Oakdale Research Park and the purchase of the second and third floors of Plaza Center One in downtown Iowa City. The Facilities Corporation, through the issuance of revenue bonds, made possible the construction of the Eckstein Medical Research Building, the Medical Education and Biomedical Research Facility, and the Carver Biomedical Research Building.

Each of the University parties occupying space within the Younkers facility would assume its proportional capital/lease costs, operation and maintenance costs on the basis of the space assigned. Estimated cost of O/M is \$5.50 per square foot.



Key

University Property Line

THE UNIVERSITY OF IOWA

OC Mall.dwg
Plotted: January 5, 2005

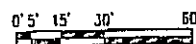
Location Map:
EXHIBIT 1
Old Capitol Mall



Scale: 1" = 200'

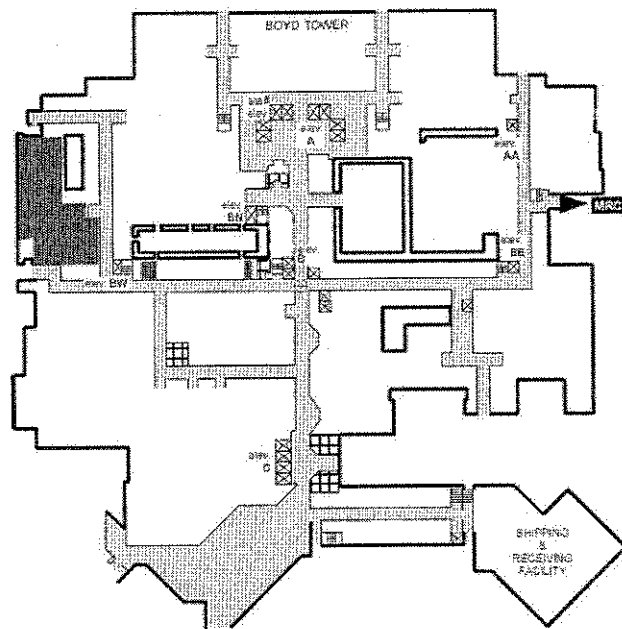
QUESTION #22 RESPONSE

104
COOKIES &
MORE
647 SF

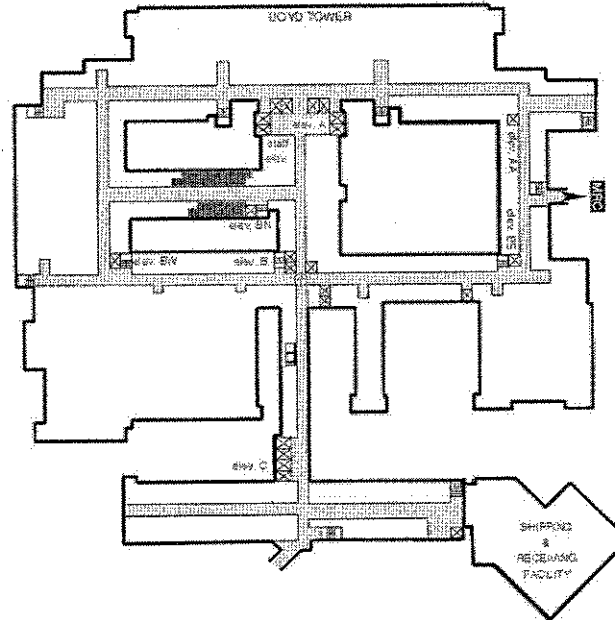


University of Iowa Hospitals and Clinics
 Joint Office of Patient Financial Services (JOPFS) - Locations of Pre-Access and Patient Accounting Functions

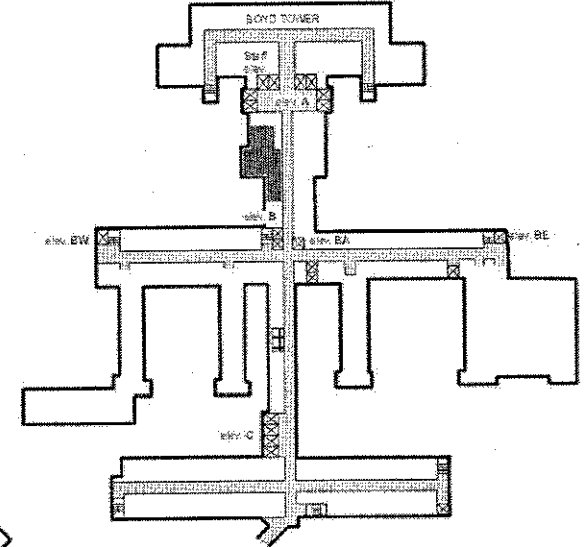
Exhibit 3



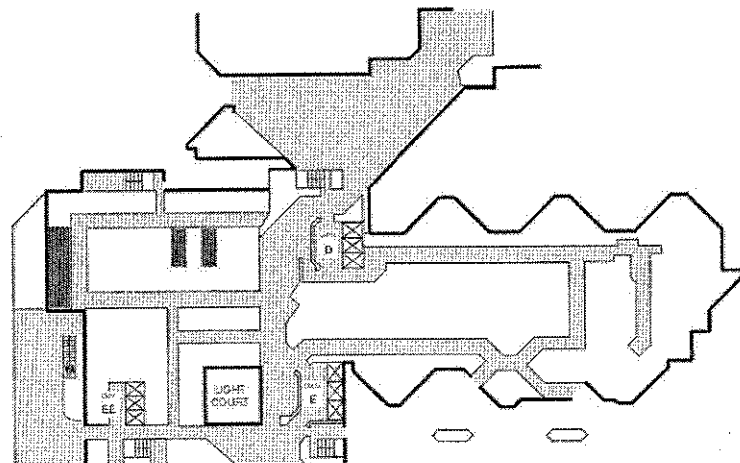
1ST FLOOR GENERAL HOSPITAL



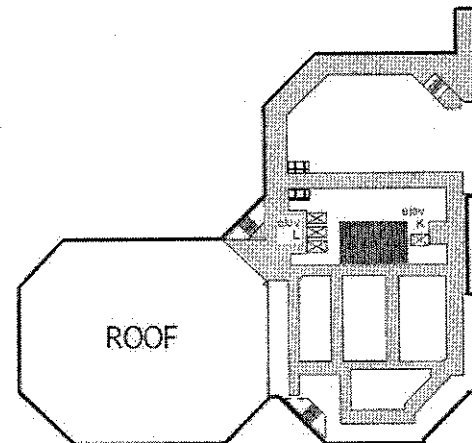
2ND FLOOR GENERAL HOSPITAL



5TH FLOOR GENERAL HOSPITAL



1ST FLOOR ROY J CARVER PAVILION



5TH FLOOR POMERANTZ FAMILY PAVILION

 JOPRS - Pre-Access and Patient Accounting Locations

MEMORANDUM
EXECUTIVE SESSION

To: Board of Regents

From: Board Office

Subject: Real Estate Acquisition – University of Iowa
Old Capitol Mall

Date: April 14, 2005

Recommended Action:

Receive a report from the University of Iowa regarding progress in the purchase and/or leasing of space in the Old Capitol Mall, in particular the acquisition of space vacated by Younkers department store.

Executive Summary:

As discussed in the Executive Session at the March Board meeting, the University has the opportunity to acquire property immediately adjacent to its central campus. The property is directly south of the Pentacrest and was recently vacated by the Younkers department store in the Old Capitol Mall.

Younkers occupied a total of 60,222 GSF on two levels of the Old Capitol Mall and vacated this space in February of 2005.

In addition to the Younkers space that the University is considering for purchase, the Old Capital Mall developers have indicated a willingness to lease to the University additional space on the second floor of the Mall, as well as 23,000 GSF of storage space in the basement of the facility.

At the March Board meeting, the University indicated that the proposed use of the Younkers space included the centralization of the University of Iowa Hospitals and Clinics and Carver College of Medicine Joint Office of Patient Financial Services and relocation of the University's International Programs.

Board members indicated support for the concept of the purchase of the Younkers facility and the land on which it is located. However, the Board indicated that due to its central campus location the primary focus should be on academic related services. The University was asked to examine that possibility.

The University has modified its plan to be consistent with the Board's direction. Negotiations with the owners have not yet been completed and the University wishes to discuss its revised plans with the Board. Upon the conclusion of negotiations, if successful, the University will return to the Board to seek its approval for the acquisition of the Younkers property for the uses identified. Any agreement with the owners will be subject to Regents approval.

Background:

The Property

The Old Capitol Mall (sometimes simply referred to as the "Mall") is located in downtown Iowa City, immediately adjacent to the central campus of the University of Iowa. Younkers department store was in the northwest corner of the Mall, directly south of the Pentacrest and east of the Seamans Center for the Engineering Arts and Sciences. Younkers occupied a total of 60,222 GSF on two levels of the Mall. Younkers vacated this space in February 2005.

In 2003 the Mall was acquired by a group of local investors/developers. It is the developer's intent to locate retail stores on the first level of the Mall while opening up the second level for office use, consistent with local zoning requirements. At the time of the acquisition, the Mall developers cautioned that filling the vacant space in the Mall would be a multi-year project. Over the course of the past 18 months, these developers have made improvements and have begun to add retail and office tenants. New tenants soon to move into the facility include Hills Bank and Trust Company and Gazette Communications. The Mall developers are very interested in the University's presence within the Mall in areas that are not prime retail opportunities.

Due to its proximity to campus, this property is very attractive to the University. Acquisition of the property is in accord with the University's Master Plan and would provide border protection to the Pentacrest. Indeed, in the renewed campus master planning process now underway with the assistance of Sasaki Associates, this acquisition has been highly regarded.

The University has had several discussions with the developers and thus has reason to believe that there are mutually advantageous options. As a result of these discussions, both University personnel and engineering consultants have inspected the facility and have found the property to be in satisfactory condition.

Potential Uses

The University has identified the following space needs that could be addressed with the acquisition of the property (purchase or lease) in the Old Capitol Mall:

- Centralization of University of Iowa Hospitals and Clinics (UIHC) and Carver College of Medicine Faculty Practice Plan (FPP) billing functions. It is planned that use of the Younker's space for the UIHC/FPP Joint Office of Patient Financial Services (JOPFS) would be on a short term basis – likely a five to ten year period. JOPFS current operations involve 160 staff working out of offices in five different locations within the UIHC and 90 additional staff who are located at the US Bank building. The permanent relocation of the JOPFS will depend on identifying possible options and selecting a site for developing a service building that could accommodate the JOPFS and potentially other office based functions, or possibly relocation of College of Public Health facilities which would make it possible to accommodate the JOPFS in the General Hospital. This approach would permit satisfaction of the UIHC/FPP immediate need and make this space available on a permanent basis for academic related University functions.
- The University's International Programs, currently located in the International Center (former College of Law facility), would benefit from a more central campus location nearer to students and its faculty who typically hold appointments in departments within the College of Liberal Arts and Sciences.
- Placement of the English as a Second Language Program (now housed in Macbride Hall) adjacent to the University's International Programs so as to take advantage of its close relationship with the International Programs.
- Classrooms: the College of Liberal Arts and Sciences (CLAS) has requested that three classrooms located in Spence Laboratories be taken off line for security purposes.

UIHC – Rationale for Purchase of Space within Old Capitol Mall as Initial Occupant of Second Floor of Younkers

o Summary

The University of Iowa Hospitals and Clinics has need for 38,000 GSF of space to consolidate in a single location its billing office and related services (JOPFS). The space is required as soon as possible this year. UIHC has earlier indicated its preference to occupy the entire second floor of the former Younkers space (~30,000 GSF) for its billing functions, and to occupy 8,000 GSF of the first floor of Younkers for related activities. In response to the Board's concern that academic related activities be located at the Younkers site, a plan has been developed for placement of all JOPFS offices on the second floor of Younkers and 8,000 GSF of adjacent space on the second floor of the Mall. Use of the second floor for offices

is consistent with the Mall developers' plans and will release an additional 8,000 GSF on the first floor of Younkers for the English as a Second Language Program.

The UIHC has investigated several other options to solve its immediate needs and avoid temporary relocation to Younkers. The thorough review of possible off-site space options that could be leased or purchased has demonstrated that presently the Old Capitol Mall would provide the needed 38,000 GSF in one large block of space. Options investigated included the possibility that both the Walmart facility and Menards store in Iowa City may be relocated to other sites thus making these facilities available for purchase or lease. In addition a Pepperwood Plaza site was investigated. However, none of these facilities is available in the near future to address the UIHC/FFP need. Thus the Younkers building and the adjacent space in the Old Capitol Mall remain as the best option for providing a consolidated office area that will meet the needs of the JOPFS and enable the UIHC to undertake planned renovation projects on a timely basis and/or avoid costs associated with protracted, phased construction projects.

General University

The first floor of Younkers would be available for general university usage (~30,000 GSF) and would be quite attractive to many University units. As discussed with the Board in March, the International Programs (IP) would greatly benefit from a more central campus location and would give the international program/services enhanced recognition and prominence within the University. In 2003, the University began offering a B.A. in International Studies. Locating the IP at the Old Capitol Mall would put them closer to general assignment classrooms and to the departments from whence they draw their faculty and students – e.g.: history, economics, journalism, political science, foreign languages, anthropology, etc.

The International Programs activities occupy approximately 20,000 GSF in the International Center (former College of Law facility) plus a shared lounge/meeting area in the same building. This space is primarily older office-type space and when/if vacated could serve as a site for new construction or as swing space or relocation space that is constantly needed. For example, it could be a candidate for use as swing space by the College of Public Health (COPH) programs housed in the nearby south wing of Westlawn if that is selected as the site of the proposed COPH academic home or as the actual building site for the COPH academic home should the current evaluation of the International Center site lead the University to that conclusion. (For a detailed description of the International Programs please see Attachment A.)

Closely related to the International Programs is the English as a Second Language Program (ESL). Locating ESL adjacent to the International Programs would be especially advantageous. Not only would it be convenient for the students, since

many use the services of both, these two units have joint activities and programs and thus could share the same classroom and lounge space.

ESL is currently housed in Macbride Hall. The relocation of ESL would release this space for alternative uses such as the relocation and expansion of the National Science Foundation Iowa Regents Alliance for Graduate Education and the Professoriate (Iowa AGEF). This is a program funded jointly by the National Science Foundation and the three Iowa Regent universities whose goal is to significantly increase the number of Ph.D.s awarded to underrepresented U.S. minority students in engineering and the mathematical, physical, and life sciences. Iowa AGEF provides opportunities for graduate study at the three Regent universities as well as the chance to participate in summer programs at Iowa State University and the University of Iowa. Alternatively, the space in Macbride could be used to meet expansion needs of the College of Education, the Division of Sponsored Programs or the Graduate College.

The University has an immediate need to relocate three classrooms from the Spence Labs building due to security concerns expressed by the College of Liberal Arts and Sciences. The recent break-in at this building highlights the imperative to provide greater access control in research facilities across campus. Further, the University is continually replacing antiquated classrooms in renovation projects across campus; the prime example of this is removing a number of general assignment classrooms in the Chemistry Building now undergoing renovation. The University is constantly seeking to improve in quantity and quality its inventory of general assignment classroom space, particularly in areas that are easily accessible within the 10 minute walking period between classes.

Long Term Use of JOPFS Space

Upon JOPFS vacating the second floor, approximately 38,000 GSF of space would be available for academic related functions. Options that are being evaluated include the possible use of this space for the Division of Continuing Education and for College of Liberal Arts and Sciences units that will need to be relocated in conjunction with the Seashore Hall Wing Replacement and Renovation Project on the Regents five-year capital plan.

Negotiating Considerations

Two formal property appraisals have been conducted. One appraisal concluded a property value of \$5.5M while the second suggested \$6.7M for the Younker's space (fit-out costs would be in addition). These two appraisals equate to a cost per gross square foot of \$91 and \$111 respectively. These appraisals are being updated to reflect the additional space and fit out cost.

It is intended that the purchase arrangement be a turn key agreement incorporating the needed fit-out renovation project and associated costs. This will permit expedited occupancy in order to timely satisfy the UIHC space need, while serving as a positive factor in the negotiation of an appropriate and advantageous purchase price for the University.

Determination of the price for a turn key arrangement requires that the design of the space to be occupied by JOPFS, the International Program, and English as a Second Language Program be completed. This is now being accomplished and should permit price negotiation in late April or early May.

The Mall developers have indicated that absent some arrangement for the University to lease or purchase the Younkers portion of the Mall, it is their intention to build a high rise residential building at that location.

University's Position

It is the University's intent at this time to proceed with negotiations to purchase the Younkers portion of the Mall including fit-out renovations. It is in the University's interest to also acquire a right of first refusal for nearby space in the Mall for which there is no current interest in direct ownership and also a right of first refusal for the eventual purchase of the entire facility and real estate. Control of the property for future University use is a major goal of this acquisition.

The acquisition price target of the University of Iowa is as close to the lower appraisal amount as is feasible plus a reasonable cost for fit-out. Fit-out cost is estimated at \$75 per square foot or approximately \$5.1M. This cost estimate does not include moveable furnishings.

Financing Plan

It is the University's intent to finance all or a portion of the acquisition, including improvements, through the University of Iowa Facilities Corporation with a capital lease between the Facilities Corporation and the Regents. At the conclusion of the financing period, it would be the University's right to have title of the property transferred from the Facilities Corporation to the University, subject to Board of Regents and state Executive Council approval.

The UI Facilities Corporation was established in 1967 as a supporting organization of the UI Foundation. It assists in the acquisition and/or construction of facilities for the benefit and use of the University. Examples of Facilities Corporation acquisitions of existing properties include the purchase of the Multi-Tenant Research Facility at the Oakdale Research Park and the purchase of the second and third floors of Plaza Center One in downtown Iowa City. The Facilities

Corporation, through the issuance of revenue bonds, made possible the construction of the Eckstein Medical Research Building, the Medical Education and Biomedical Research Facility, and the Carver Biomedical Research Building.

Each of the University parties occupying space within the Younkers facility would assume its proportional capital/lease costs, operation and maintenance costs on the basis of the space assigned. Estimated cost of O/M is \$5.50 per square foot.

At the conclusion of JOPFS usage of the second floor space that would be least 5 years, the University would assume the full future amortization cost for the loan or revenue bonds associated with the acquisition of that space.

student employees. These units organize over 150 events each year, which have a direct impact on the campus and local communities, including symposia, conferences, workshops and public lectures. Some of these units offer academic degrees or certificates, including certificates and minors in Latin American Studies and Global Health Studies, a PhD in Second Language Acquisition, and a B.A. and M.A. in Interdisciplinary/International Studies. The BA in International Studies is particularly popular, with over 350 undergraduate students currently enrolled in the program. Finally, in addition to faculty and students, the IP academic and research units attract visiting scholars from around the world. These scholars (including Fulbright and Junior Faculty Development Program participants as well as independent researchers and visiting lecturers) find space to conduct their research and meet with their UI faculty mentors and peers within IP.

IP Administrative Offices

UI administrators and central staff oversee IP's public and campus relations, and provide the following kinds of support to IP as a whole as well as for the campus's broader international activities: accounting, cross-cultural programming and community outreach, grant preparation, student and faculty research support, conference and event planning, internal grant and research award administration, web design and maintenance, technical support, and administration of formal university linkages with foreign institutions. IP's core administration includes the Dean of International Programs, the Associate Dean, the International Programs Director, the Senior Accountant, and the IP HR Representative. Central staffing offices include External Relations, Projects, Outreach, and Research and Development. As part of its outreach mission, IP maintains relations with a number of international community organizations, including the Council for International Visitors to Iowa Cities (CIVIC), the Iowa City Foreign Relations Council (ICFRC), the International Women's Club, Friends of International Students, and the International Scholars Council. CIVIC and ICFRC maintain their own professional staff who have offices within IP. The other groups receive administrative support and work space within IP. All of these affiliated groups hold meetings, lectures, educational fairs and other public events within IP space. Other IP outreach programs include the International Classroom Journey (which organizes speakers on international topics for K-12 classrooms and community organizations, as well as maintaining a comprehensive collection of "culture kits," on loan to area K-12 teachers), the International Mondays lecture series, the Writer in Residence program and the International Open House. During the 2003 – 2004 academic year, IP outreach affected over 4500 students and teachers throughout 35 Iowa counties.

The Office for Study Abroad

OfSA provides comprehensive services for UI and other students who wish to study abroad. Services include study abroad promotion; advising on study abroad options; preparation for the study abroad experience; coordination of UI, CIC and Regents study abroad programs (a total of 64 self-administered programs, as well as 40 programs that are sponsored by UI but administered externally); credit transfer assessment; coordination with the Office of the Registrar, Cashier, Financial Aid and Academic Advising;

administration of study abroad scholarships; and advising and programming for return study abroad students. OfSA also provides services for approximately 60 incoming international exchange students each year. In total, a staff of a Study Abroad Director, Assistant Director, four advisors and 2 FTE Merit staff serves nearly 1100 study abroad and exchange students. It is expected that a more central location on campus will result in increased numbers of students utilizing OfSA services.

The Office of International Students and Scholars

The OISS provides a variety of services and programs to nearly 2,600 international students and scholars and their dependents. These services (provided by a Director and Assistant Director of OISS as well as 5 advisors and 2 FTE Merit staff) include: providing information on the legal rights and responsibilities of international students and scholars; assisting these students and scholars in adjusting to the culture of the U.S.; offering one-on-one and group advising sessions, workshops and regular communications on legal issues; ensuring proper reporting to the Department of Homeland Security and the State Department; and helping students negotiate the complex emotions and anxieties related to study in a new culture. In addition to these services, OISS offers both international and domestic students opportunities to share experiences and gain cross-cultural understanding. The Office organizes luncheons for international student group leaders; hosts Café Central (relaxing cultural entertainment and refreshments on Friday afternoons); organizes an ongoing orientation program, "Life in Iowa"; and offers workshops on employment and many other relevant topics.

Rationale for relocation

A move across the river to a central location on campus (Old Capitol Mall) would have both practical and symbolic value. Symbolically, a central location would represent the importance of international education to the mission of the University. Practically, this move would allow IP to better serve the students, faculty, staff and community members who come to International Programs for advising, educational events, social programs, meetings and other activities. A more central location would provide an incentive to US students who are just beginning to think about study abroad to come in to the office for preliminary advising (thus increasing the total number of students who study abroad) and students who are already planning to study abroad would be more likely to maintain regular contact with their advisors prior to departure, making the experience abroad safer and more meaningful.

A central location would allow IP to better serve the University's international students and scholars. Because of the convenient location, students and scholars would be less likely to wait to make an appointment with an international student adviser until they are in a crisis situation. A central location would help IP in its efforts to make International Programs a place where faculty, staff and students can come together to learn about international and cross-cultural issues, meet with friends and colleagues from around the world, collaborate on international research and experience an environment that is actively pro-international, welcoming and inherently cross-cultural.

The incorporation of classroom space into International Programs would highlight the academic nature of our mission and would bring more students into the “sphere” of International Programs, where they would be able to learn about study abroad options, language learning resources, and other international education opportunities. Finally, Old Capitol Mall is an ideal setting for International Programs because of its location at the center of campus and also at the center of the city. Many community members (K-12 teachers, students, members of community organizations, etc.) visit International Programs each day to check out its “culture kits,” attend lectures and workshops, and participate in cross-cultural activities. This location would highlight the importance of outreach to the IP mission at the same time as it makes visits to IP more convenient for members of our community.

International Programs

International Programs (IP) is one of the liveliest centers on campus, serving a great variety of constituencies, ranging from UI faculty and students (over 110 affiliated faculty, 2600 international students, 1100 study abroad and exchange students and 350 International Studies students) to K-12 teachers and students and other members of the larger community and state (including hundreds of community leaders and K-12 teachers and thousands of K-12 students). IP activities are directly tied to the academic mission of the University as well as to the UI's goals for enhancing faculty vitality; improving the undergraduate experience; increasing diversity among faculty, staff and students; extending the educational resources of the university beyond the boundaries of the campus, out into the community and the rest of the state; promoting internationally-recognized research; and fostering a world-wide reputation for excellence.

IP consists of four "sections": the Administrative Offices of International Programs, the Academic and Research units, the Office of International Students and Scholars (OISS), and the Office for Study Abroad (OfSA). These units coordinate international activity at the campus level and beyond; promote curriculum internationalization across departments; advise on international university linkages and partnerships; direct several cross-college, interdisciplinary initiatives; and help shape UI's strategic plan for international education. IP is supported by approximately 28.5 FTE P&S staff, approximately 13.5 FTE Merit staff, about 37 undergraduate work-study and hourly employees and about 50 graduate assistants, as well as a fluctuating number of student and community volunteers.

Academic and Research Units

At present, IP works directly with faculty from at least 40 disciplines in all 12 colleges on international dimensions of teaching, research, service and extended education. IP has 106 faculty with 0% or secondary appointments and another 10 adjunct instructors. That number is expected to grow as more internationally-focused faculty are hired with special incentive funding from the Provost and as the number of faculty teaching courses related to our BA major in International Studies continues to grow. Many of these faculty members are affiliated with IP's academic and research units, which include: the African Studies Program; the Caribbean, Diaspora and Atlantic Studies Program; the Center for Asian and Pacific Studies; the Center for Russian, East European and Eurasian Studies; the Crossing Borders Program; the 18th and 19th-Century Interdisciplinary Colloquium; the Foreign Language Acquisition Research and Education Project; the Global Health Studies Program; the International Forum for U.S. Studies; the Institute for Cinema and Culture; the International Studies National Resource Center; the Latin American Studies Program; the Opera Studies Group; the South Asian Studies Program; the University of Iowa Center for Human Rights; and the WiderNet Project. An Islamic Studies Program is in development. Each one of these academic or research units has at least one faculty director and most have designated research assistants, and/or professional staff and

MEMORANDUM

To: Board of Regents

From: Board Office

Subject: Real Estate Acquisition by University of Iowa Facilities Corporation and lease to the University of Iowa-Old Capitol Mall

Date: May 24, 2005

Recommended Action:

Authorize the University of Iowa to proceed with a lease with the University of Iowa Facilities Corporation (UIFC) for property to be acquired by UIFC. The referenced property is 68,000GSF of the Old Capitol Mall.

Executive Summary:

As discussed at the March and May meetings, the University has the opportunity to acquire access to property immediately adjacent to its central campus. The property is directly south of the Pentacrest and was recently vacated by the Younkers department store in the Old Capitol Mall. Younkers occupied a total of 60,222 GSF on two levels of the Old Capitol Mall and vacated this space in February of 2005. It is the University of Iowa Facilities Corporation's intent to purchase the former Younkers space plus 8,000 GSF of adjacent space on the second floor of the Mall and lease it to the University of Iowa.

The University's proposed use of the former Younkers space includes: the centralization of the University of Iowa Hospitals and Clinics and Carver College of Medicine Joint Office of Patient Financial Services, relocation of the University's International Programs and English as a Second Language Programs, and the addition of one or more classrooms.

The total purchase price including fit out cost is \$11.25M.

This University of Iowa Facilities Corporation purchase agreement will also provide the option to acquire additional space in the Old Capitol Mall should the need exist and pricing be favorable. The right of first refusal to purchase the remaining property will also be obtained.

Background:

The Property

The Old Capitol Mall (sometimes simply referred to as the "Mall") is located in downtown Iowa City, immediately adjacent to the central campus of the University of Iowa. Younkers department store was in the northwest corner of the Mall, directly south of the Pentacrest and east of the Seamans Center for the Engineering Arts and Sciences. Younkers occupied a total of 60,222 GSF on two levels of the Mall. Younkers vacated this space in February 2005.

In 2003 the Mall was acquired by a group of local investors/developers. It is the developer's intent to locate retail stores on the first level of the Mall while opening up the second level for office use, consistent with local zoning requirements. At the time of the acquisition, the Mall developers cautioned that filling the vacant space in the Mall would be a multi-year project. Over the course of the past 18 months, these developers have made improvements and have begun to add retail and office tenants. Tenants recently moved into the facility include Hills Bank and Trust Company and Gazette Communications. The Mall developers are very interested in the University's presence within the Mall in areas that are not prime retail opportunities.

Due to its proximity to campus, this property is very attractive to the University. In the renewed campus master planning process now underway with the assistance of Sasaki Associates, this acquisition has been highly regarded.

The University has had many discussions with the developers and has agreed upon mutually advantageous options. As a result of these discussions, both University personnel and engineering consultants have inspected the facility and have found the property to be in satisfactory condition.

Potential Uses

The University has identified the following space needs that could be addressed with the acquisition of the property in the Old Capitol Mall:

- Centralization of University of Iowa Hospitals and Clinics (UIHC) and Carver College of Medicine Faculty Practice Plan (FPP) pre-access (e.g.: insurance verification, registration services, etc.) and patient accounting (e.g.: billing and collection). It is planned that use of the former Younker's space for the UIHC/FPP Joint Office of Patient Financial Services (JOPFS) would be on a short term basis – likely a five to ten year period. JOPFS current operations involve 160 staff working out of offices in five different locations within the UIHC and 90 additional staff who are located within rented space at the downtown Iowa City US Bank building. The permanent relocation of the JOPFS will depend on identifying possible options and selecting a site for developing a service building that could accommodate the JOPFS and potentially other office based functions,

or possibly relocation of College of Public Health offices within General Hospital which would make it possible to accommodate the JOPFS in the General Hospital. This approach would permit satisfaction of the UIHC/FFP immediate and intermediate term needs and make this space available on a permanent basis for academic related University functions.

- The University's International Programs, currently located in the International Center (former College of Law facility), would benefit from a more central campus location nearer to students and its faculty who typically hold appointments in departments within the College of Liberal Arts and Sciences.
- Placement of the English as a Second Language Program (now housed in Macbride Hall) adjacent to the University's International Programs so as to take advantage of its close relationship with the International Programs.
- Classrooms: the College of Liberal Arts and Sciences (CLAS) has requested that three classrooms located in Spence Laboratories be taken off line for security purposes.

UIHC – Rationale for Purchase of Space within Old Capitol Mall as Initial Occupant of Second Floor

○ Summary

The University of Iowa Hospitals and Clinics and Carver College of Medicine have need for 38,000 GSF of space to consolidate in a single location their billing office and related services (JOPFS). The space is required as soon as possible this year. UIHC had earlier indicated its preference to occupy the entire second floor of the former Younkers space (~30,000 GSF) for its billing functions, and to occupy 8,000 GSF of the first floor of Younkers for related activities. In response to the Board's concern that academic related activities be located at the Younkers site, a plan has been developed for placement of all JOPFS offices on the second floor of Younkers and 8,000 GSF of adjacent space on the second floor of the Mall. Use of the second floor for offices is consistent with the Mall developers' plans and will release an additional 8,000 GSF on the first floor of Younkers for the English as a Second Language Program.

The UIHC has investigated several other options to solve its immediate needs and avoid temporary relocation to Younkers. The thorough review of possible off-site space options that could be leased or purchased has demonstrated that presently the Old Capitol Mall would provide the needed 38,000 GSF in one large block of space. Options investigated included the possibility that both the Walmart facility and Menards store in Iowa City may be relocated to other sites thus making these facilities available for purchase or lease. In addition a Pepperwood Plaza site was investigated. However, none of these facilities is available in the near future to address the UIHC/FFP need. Thus the Younkers shell and the adjacent space in the Old Capitol Mall remain

as the best option for providing a consolidated office area that will meet the needs of the JOPFS and enable the UIHC to undertake planned renovation projects on a timely basis and/or avoid costs associated with protracted, phased construction projects.

General University

The first floor of the former Younkers location would be available for general university usage (~30,000 GSF) and would be quite attractive to many University units. As discussed with the Board in March, the International Programs (IP) would greatly benefit from a more central campus location and would give the international program/services enhanced recognition and prominence within the University. In 2003, the University began offering a B.A. in International Studies. Locating the IP at the Old Capitol Mall would put them closer to general assignment classrooms and to the departments from whence they draw their faculty and students – e.g.: history, economics, journalism, political science, foreign languages, anthropology, etc.

The International Programs activities occupy approximately 20,000 GSF in the International Center (former College of Law facility) plus a shared lounge/meeting area in the same building. This space is primarily older office-type space and when/if vacated, could serve as a site for new construction or as swing space or relocation space that is constantly needed. For example, it could be a candidate for use as swing space by the College of Public Health (COPH) programs housed in the nearby south wing of Westlawn if that is selected as the site of the proposed COPH academic home or as the actual building site for the COPH academic home should the evaluation of the International Center site for the COPH prove positive.

Closely related to the International Programs is the English as a Second Language Program (ESL). Locating ESL adjacent to the International Programs would be especially advantageous. Not only would it be convenient for the students, since many use the services of both, these two units have joint activities and programs and thus could share the same classroom and lounge space.

ESL is currently housed in Macbride Hall. The relocation of ESL would release this space for alternative uses such as the relocation and expansion of the National Science Foundation Iowa Regents Alliance for Graduate Education and the Professoriate (Iowa AGEPE). This is a program funded jointly by the National Science Foundation and the three Iowa Regent universities whose goal is to significantly increase the number of Ph.D.s awarded to underrepresented U.S. minority students in engineering and the mathematical, physical, and life sciences. Iowa AGEPE provides opportunities for graduate study at the three Regent universities as well as the chance to participate in summer programs at Iowa State University and the University of Iowa. Alternatively, the space in Macbride could be used to meet expansion needs of the College of Education, the Division of Sponsored Programs or the Graduate College.

The University has an immediate need to relocate three classrooms from the Spence Labs building due to security concerns expressed by the College of Liberal Arts and Sciences. The recent break-in at this building highlights the imperative to provide greater access control in research facilities across campus. Further, the University is continually replacing antiquated classrooms in renovation projects across campus; the prime example of this is removing a number of general assignment classrooms in the Chemistry Building now undergoing renovation. The University is constantly seeking to improve in quantity and quality its inventory of general assignment classroom space, particularly in areas that are easily accessible within the 10 minute walking period between classes.

Long Term Use of JOPFS Space within Old Capitol Mall

Upon JOPFS vacating the second floor, approximately 38,000 GSF of space would be available for academic related functions. Several options are being evaluated including the possible use of this space for the College of Liberal Arts and Sciences units that will need to be relocated in conjunction with the Seashore Hall Wing Replacement and Renovation Project on the Regents five-year capital plan.

Negotiating Considerations

Two formal property appraisals were conducted. One appraisal valued the land and building at \$91/GSF; the other at \$111/GSF. These appraisals equate to \$6.188M and \$7.548M respectively for the building and land assuming a purchase of 68,000GSF. These appraisals excluded costs of University-specific fit-out requirements. The purchase price component for the land and building of the turnkey agreement is \$100/GSF.

The entire purchase is a turnkey agreement incorporating the needed fit-out renovation project and associated costs to permit expedited occupancy in order to timely satisfy the UIHC space needs.

The turnkey price of \$11.25M includes the fit out cost. Thus, the actual fit out cost component for the turnkey agreement is \$65.44/GSF. A separate and independent appraisal of the fit out cost was conducted at the request of the University of Iowa by Steckler-Harmsen Inc. Steckler-Harmsen valued the fit out at \$74.25/GSF.

A fit out cost calculation using the original appraisals and proposed purchase price would put the fit out cost at \$74.44/GSF and \$54.44GSF respectively.

Consequently the total turnkey purchase price of \$11.25M or \$165.44/GSF is consistent with the two building/land appraisals and the independently verified fit out estimate. It falls within the Regent's policy regarding allowable purchase price.

Separate appraisals for the full turnkey price are not appropriate for the valuation as appraisals by their very nature reflect general market valuation rather than the cost for custom utilization by a given buyer.

University's Position

It is the University of Iowa Facilities Corporation's intent at this time to proceed with the purchase the former Younkers portion and adjacent space of the Mall including fit-out renovations. The University of Iowa will lease this facility. It is in the University's interest to have UIFC also acquire options for purchase of nearby space in the Mall and also a right of first refusal for the eventual purchase of the remaining real estate.

Financing Plan

It is the University's intent to finance all or a portion of the acquisition, including improvements, through the University of Iowa Facilities Corporation with a capital lease between the Facilities Corporation and the Regents. At the conclusion of the financing period, it would be the University's right to have the title to the property transferred from the Facilities Corporation to the University, subject to Board of Regents and state Executive Council approval.

The UI Facilities Corporation was established in 1967 as a supporting organization of the UI Foundation. It assists in the acquisition and/or construction of facilities for the benefit and use of the University. The Facilities Corporation, through the issuance of revenue bonds authorized by the Regents, made possible the construction of the Eckstein Medical Research Building, the Medical Education and Biomedical Research Facility, and the Carver Biomedical Research Building.

Each of the University parties occupying space within the former Younkers facility would assume its proportional capital, operation and maintenance costs on the basis of the space assigned. Estimated cost of O/M is \$5.50 per square foot.

At the conclusion of JOPFS usage of the second floor space (at least 5 years), the University would assume the full future amortization cost for the revenue bonds associated with the acquisition of that space.

THE UNIVERSITY OF IOWA

PURCHASE OF PROPERTY BY UNIVERSITY OF IOWA FACILITIES CORPORATION AND
LEASE OF THE PROPERTY BY THE BOARD OF REGENTS, STATE OF IOWA

201 South Clinton Street
Old Capitol Town Center (aka Old Capitol Mall)
Former Younkers Shell and Adjacent Space
Iowa City, IA

ACTION REQUESTED: Approve lease

Owner

OC Group LC

Legal Description

See attached.

General Description

The University of Iowa Facilities Corporation (UIFC) has entered into negotiations with the owners of the Old Capitol Town Center (also referred to as the Old Capitol Mall or Mall) to purchase that portion of the Mall formerly occupied by the Younkers department store and 8,000 GSF located adjacent thereto. The former Younkers department store was located in northwest corner of the building facing Washington Street to the North and Capitol Street to the West. The Younkers shell has two floors comprising a total of approximately 60,222 GSF. The UIFC would also purchase 8,000 GSF adjacent to the Younkers shell on the second floor of the Old Capitol Mall. The Old Capitol Mall was built in 1980 as a regional mall with two major anchor stores (Younkers and Penny's). (See attached map)

The UIFC purchase would be a turnkey arrangement (see attached memo) with the property being leased by the University of Iowa.

Purchase Price

The purchase price is \$11.25 million.

Availability of Funds

Funds for the purchase of this property will be provided through revenue bonds authorized by the Board of Regents and issued through the University of Iowa Facilities Corporation (see attached memo).

Need for Purchase

This property is in a key location within the general campus, adjacent to the University's Pentacrest and is of high value to University interests.

MEMORANDUM

TO: Board of Regents, State of Iowa

FROM: Doug True

SUBJECT: Executive Session - Additional Real Estate Acquisition in the Old Capitol Mall by the University of Iowa Facilities Corporation with lease arrangement to the University of Iowa

DATE: October 11, 2005

Background

At its June 2005 meeting, the Board Regents, State of Iowa authorized the University of Iowa to proceed with a lease with the University of Iowa Facilities Corporation (UIFC) for property in the Old Capitol Mall to be acquired by UIFC. The referenced property was 60,000 GSF of space that was formerly occupied by the Younkers Department Store and 8,000 GSF on the second floor of the Mall adjacent to Younkers. The acquisition was a turn key agreement with the cost of the building and land component being \$100/GSF and the fit out cost component at \$65.44/GSF.

The terms of the purchase agreement were finalized in August 2005. As part of the purchase agreement, the UIFC has an option to purchase the remaining vacated space on second floor of the Mall at \$85 per sq ft and basement space at \$80 per sq ft. This option for purchase at this price is available until March 1, 2006. The purchase also assumes a turn key arrangement with the cost of fit out to be negotiated at a fair market value.

Executive Summary

The University of Iowa recommends that the second floor and basement purchase option be exercised. Approximately 75,500 GSF is available on the second floor and 23,000 GSF in the basement. The latter also includes a loading dock. The purchase price of the building and associated land would be approximately \$8.26M. The fit out cost component is currently being negotiated and is contingent on final design and determination of building specifications for each unit to be assigned to the Old Capitol Mall space. It is anticipated that the fit out component will be consistent with the cost experienced in the Younkers acquisition.

Authorization will be requested to execute the purchase in two primary stages. The first stage will involve the basement space and approximately 60,500 GSF of the second floor. As was done with the Younkers purchase this would be a turn key

arrangement. It is anticipated the full acquisition price will be determined within the next two months and would be brought to the Board of Regents for review/approval at its February meeting.

The second stage would involve a commitment in February for UIFC to acquire an additional 15,000 GSF on the second floor upon that space being vacated by the Campus Theatre. A commitment would be made to purchase that space at the \$85/ GSF price with an understanding that a fit out contract price would be negotiated at the time when the space becomes available to the UIFC. The University does not intend to encourage the Campus Theatre to relocate. On the contrary the University's preference would be to maintain the Theatre presence. However, should the Campus Theatre space become available, it would be in the University's interest to acquire it. The acquisition of Younkers and the available second floor space would result in the University owning the entire second floor with the exception of the space in the Northeast corner leased to the Cedar Rapids Gazette. The first floor is essentially retail.

Anticipated Occupants

Recreation Project related occupants. The primary driving force for the Mall acquisition is the need to relocate three units associated with site preparation for the Recreation Project. The three units to be relocated to the Mall are the Department of Public Safety, the Facilities Management Key Shop and a major component of Information Technology Services. (See attached map.)

The Department of Public Safety would be placed in the basement of the Mall along with the adjacent loading dock area, which would serve as an emergency service vehicle storage area. The Pubic Safety move is necessary in any case because of the substandard conditions of the "temporary" space which comprise their current offices. The Key Shop would likewise be placed in the basement location. The Key Shop is located on the same site in the Facilities Service Shops building.

Information Technology Services (ITS) occupies 17,000 NSF in the University Services Building (USB). It is important to relocate ITS in order to make the USB space available for Facility Management functions that occupy the recreation building site. The Facility Management functions that are being relocated from the recreation site would then be adjacent to other related Facilities Management units. For example, this approach will permit staff in Operations and Management, Utilities and Energy Management, and Design and Construction Service to be located in one area rather than dispersed throughout multiple shop locations as they are now. This will enhance the interdisciplinary strategy that Facilities Management has been diligently pursuing while also making way for the site closer to campus needed for new student recreation facilities.

The ITS components moving to the Mall will benefit from being in a more centralized location on campus to better serve students, faculty and staff. This should also permit ITS to consolidate and relocate some units that are now dispersed at seven locations, including functions that now occupy prime academic space within the Lindquist Center. The exact level of consolidation still needs to be determined based on design decisions under consideration for all the potential Mall occupants.

A proportional share or an allowance from the funds from the Recreation Project would be directed for the cost of relocations. These funds would likely be utilized to reduce the amount of the bond issuance for Old Capitol Mall and for construction of replacement shops. The preliminary allowance now in the recreation project budget for access to this block is \$4 million – an amount approximating the fair market value of the land on that site.

Termination of US Bank lease. A unit of the Joint Office for Patient Financial Services of UIHC/CCOM and the State Health Registry (Cancer Registry) occupy space in the US Bank building in downtown Iowa City under a lease entered into by the University. The lease for the US Bank space expires April 1, 2006. It is the University's intent to not renew that lease. The annual cost of that lease is approximately \$220,000. Payments being made toward this lease would be applied to the Old Capitol Mall acquisition. The "Joint Office" unit is being relocated to the space on the second floor in the Old Capitol Mall formerly occupied by Younkers pursuant to the previous acquisition. It is also likely that the Cancer Registry will be relocated to the Mall, however it may be necessary to make interim arrangements for the Registry until fit out is complete in the newly acquired second floor Mall space.

College of Public Health research units. The Clinical Trials Statistics and Data Management Center (CTSDMC) is a unit of the College of Public Health that has approximately \$11.1M in extramural funding and has been a keystone in the research success of the College of Public Health. It has outgrown its available space in the Westlawn Building. Consequently, it is proposed that the CTSDMC be relocated to the Old Capitol Mall to accommodate its growth in extramural funding. Approximately 8,000 to 10,000 GSF could be made available for this unit; however no final space allocation decisions have been made. The space vacated in Westlawn would be available for other College of Public Health needs. This is particularly important given that the academic home of the College of Public Health is still several years away. The Cancer Registry, needs noted above, may likewise be placed on the second level (6,000 to 8,000 GSF).

Facilities and administrative indirect cost recoveries related to College of Public Health grant activity could serve as a funding source for this aspect of the acquisition.

Iowa Centers for Enterprise: Business and Commercialization Services. "Iowa Centers for Enterprise: Business and Commercialization Services" represents an initiative by the Office of the Vice President for Research to integrate under one banner and in one location the several activities that make up the University's economic development and technology transfer program. Previously, the centers and activities that comprise this program have been separated in a number of locations around the Iowa City campus, as well as at the Oakdale Campus. This separation has prevented the programs from working in more synergistic and complementary ways. Further, it has led to confusion for clients (i.e. faculty and students as well as Iowa business and community representatives) who have needed to interact with these several centers or programs.

Among the units to be co-located in the Mall are: the UI Research Foundation, Office of Corporate Partnerships (OCP), and selected elements of the John Pappajohn Entrepreneurial Center and Technology Innovation Center. There are presently 9 UI Research Foundation (UIRF) staff members occupying offices in the UI Technology Innovation Center (TIC) on the Oakdale Campus who will relocate to the Mall location. The University intends to expand TIC operations, making the vacated spaces available for lease by new startup companies. The space previously occupied by the OCP is being used by the information technology support group in the Office of the Vice President for Research. Staff of the John Pappajohn Entrepreneurial Center (JPEC), specifically the two staff making up the Small Business Development Center, will move to the Old Capitol Mall facility from space in the John Pappajohn Business Building.

The creation of the "Iowa Centers for Enterprise" will bring under one roof (in approximately 7,000 GSF) technology transfer, new business development, entrepreneurship programs, business incubation functions, and existing business support services. The proposed Old Capitol Mall facility will include a conference room, work rooms, client facilities (startups and existing companies who are working with the University for short term intensive periods), and additional offices for staff assigned new responsibilities designed to attain economic development and technology transfer objectives. This entire package of co-located economic development services will be a visible example of the University's commitment to assist economic development and commercialization activities in the state of Iowa.

Other. Should the analysis and design results of the above options permit, other potential occupants will be considered.

Contract Terms and Financing

The Younkers purchase agreement permits a staged acquisition of the available second floor and basement space. This option to purchase extends until March

1, 2007. However, if a purchase agreement is executed before March 1, 2006, the price is \$5 per square foot less than subsequent to that date. Exercise of the option via a purchase agreement by March 1, 2006 would mean that the actual turnkey occupancy probably would not occur until the fall of 2006. This would be consistent with the plan for a bond issuance during the summer 2006. Thus, it is in the best interest of the University to proceed with the purchase at this time. It also is linked to the expiration of the lease at US Bank.

It is proposed that the acquisition be financed by a UIFC Revenue Bond issuance in the summer of 2006. A \$20 million amount for the bond issuance has been communicated to the Board office as a placeholder for this acquisition. It is anticipated that the actual cost will be somewhere closer to the range of \$15 to \$18 million. The projected annual debt service is approximately \$1.4 million for 20 years.

The purchase contract for the second floor and basement space would be established such that the University would take occupancy of the different units upon completion of the fit out for the involved unit. Fall 2006 is the targeted completion date for the units involved with the relocations.

The Campus Theatre space acquisition terms will most likely not be finalized by the February Board meeting. The acquisition price of the building and associated land will be as described above (\$85/GSF). The fit out component price will be negotiated upon completion of program designation and design.

As was the process for the Younkers purchase, two real estate appraisals are being completed for this the building and land acquisition. It is anticipated both appraisals will support the proposed price as the acquisition of the additional space at \$85 and \$80 per GSF is well below the Younkers price of \$100 per GSF.

In addition an independent assessment of the fit out cost will be acquired.

October 6, 2006

Joan:

This note is in response to the questions you raised regarding the Executive Session memo for Old Capitol Mall property.

The option to purchase additional second floor and basement space extends until March 1, 2007. However, if a purchase agreement is executed before March 1, 2006, the price is \$5 per square foot less than subsequent to that date. Exercise of the option via a purchase agreement by March 1, 2006 would mean that the actual turnkey occupancy probably would not occur until the fall of 2006. This would be consistent with the plan for a bond issuance during the summer 2006.

The recreation center project requires relocation of a number of important University facilities and functions. (See attached map) Public Safety will be relocated as will Facilities Management (FM) "shops". The Public Safety move was necessary in any case because of the substandard conditions of the "temporary" space which comprise their offices. Additional FM offices located in the proposed recreation center area will be moved to space vacated by ITS on the third floor of the University Services Building (USB). ITS functions, currently in USB, will be relocated to Old Capitol Mall and consolidated with other ITS functions that now occupy prime academic space within the Lindquist Center. We are developing a cost estimate for a replacement "shops" building that is the last element of the plan to vacate all of this block. The shops replacement will be at the far southern portion of the University land located south of Burlington Street. We can discuss with you the best timing of the master plan presentation to the Board.

The statement "funds from the Recreation Project would be directed for this purpose," represents simply a proportion of the cost of relocations to be allocated to the recreation center project. Most likely the funds would be utilized to reduce the amount of the bond issuance for Old Capitol Mall and for construction of replacement shops. The preliminary allowance now in the recreation project budget for access to this block is \$4 million – an amount approximating the fair market value of the land on that site.

The US Bank lease extends beyond the date of relocation of the UIHC/CCOM Joint Patient Financial Services Office in February. Thus the lease funds will not be available until the lease is terminated and the State Health Registry (Cancer Registry) is relocated from the US Bank to the Old Capitol Mall. Hopefully that will occur no later than next summer if not earlier.

The square footage to be assigned to the Clinical Trials Statistics and Data Management Center and UI Enterprise Centers for Business and Commercialization has not been finalized. However at this point in the planning we would estimate approximately 18,000 gross square feet would be made available for the former and 7,000 gross square feet for the latter.

UI Enterprise Centers for Business and Commercialization – to Old Capitol Mall

There are presently 9 UI Research Foundation (UIRF) staff members who occupy offices in the same building used as the UI's Technology Innovation Center (TIC). These individuals and functions would be relocated to the Old Capitol Mall. With the new and renewed efforts in new business development, the University intends to expand TIC operations, making the vacated spaces available for lease by new startup companies. It is also anticipated that UIRF staff will expand by approximately 3 staff members in the near future to handle additional new business development and intellectual property portfolio marketing.

The staff making up the Office of Corporate Partnerships (OCP) will be transferred to the Old Capitol Mall. The space previously occupied by OCP is being used by the information technology support group in the Office of the Vice President for Research.

Staff of the John Pappajohn Entrepreneurial Center (JPEC), specifically the two staff making up the Small Business Development Center, will move to the Old Capitol Mall facility. The vacated spaces (in the John Pappajohn Business Building) will be utilized by "faculty entrepreneurship coordinators" that are expected be hired to assist faculty entrepreneurs in developing business plans for possible startups.

The proposed Old Capitol Mall facility will include a conference room, work rooms, client facilities (startups and existing companies who are working with the University for short term intensive periods), and additional offices for staff assigned new responsibilities designed to attain economic development and technology transfer objectives. This entire package of co-located economic development services will be a visible example of the University's commitment to assist economic development and commercialization activities in the state of Iowa.

* * *

The \$20 million amount for the bond issuance is a placeholder. It is anticipated that the actual cost will be somewhere closer to the range of \$15 to \$18 million. That issuance is only related to the Phase 2 acquisition. The Younkers acquisition was covered by the September 2005 issuance. The projected annual debt service on \$17.5 million is approximately \$1.4 million for 20 years.

Yanecek, Ted O

From: Racki, Joan [BOARD] [jracki@iastate.edu]
Sent: Friday, September 30, 2005 11:48 AM
To: Yanecek, Ted O
Cc: sdoyle@mail.adp.iastate.edu
Subject: Executive Session Memo

Ted,

Thanks for the write-up on the proposed, additional real estate acquisition.

The following are some questions related to the submitted information:

The background section notes that the option to purchase the remaining vacated space on the second floor is available until March 1, 2006. Does this mean that the option must be exercised by March 1st or that the purchase must occur by that date? I raise the question because the bond issuance schedule that Terry recently sent included a Facilities Corporation bond sale for additional space in the Old Capitol Mall in June 2006. The memorandum also makes reference to October 2006 as the targeted phase 1 acquisition completion date. Clarification of these dates might be helpful.

The memorandum discusses anticipated occupants of the space including Recreation Project related occupants. In March 2005, the Board approved the selection of OPN Architects for Master Planning services for a study which would identify relocation alternatives for the functions that would need to be relocated because of the selected site for the Recreation Building. The Board's March agenda item indicated that the University would return to the Board with the recommendations of the completed master planning study at a future meeting. It would appear, based upon the information in the Old Capitol Mall memo, that some of the relocation decisions have been made. What is the status of the master planning study and when does the University plan on bringing it to the Board?

The memorandum includes many references to units to be relocated into the Old Capitol Mall. Is there a summary table which includes the existing space and location occupied by these units and the projected space they will occupy in the Old Capitol Mall, realizing that all decisions have not yet been made?

The last sentence of the section on the recreation project related occupants states that "Funds from the Recreation Project would be directed for this purpose." Does "this purpose" mean all the entities that are going to be relocated? Does this include just the amount for relocation or the annual debt service for the portion of the Old Capitol Mall to be occupied by these entities?

The memorandum indicates that one of the tenants of the US Bank space is the Joint Office of Patient Financial Services. Since this entity is being relocated as part of Phase 1 of the Old Capitol Mall acquisition, wouldn't the funds being used for the Joint Office's share of the lease be applied toward the debt service on the recently issued bonds?

Since reference has been made to the US Bank Building lease, what are the plans for the relocation of the State Health Registry (Cancer Registry) when the US Bank lease is terminated?

What is the anticipated square footage to be occupied by the Clinical Trials Statistics and Data Management Center and the Enterprise Iowa Center for Business and Commercialization? What are the plans for the space currently occupied by the UI Research Foundation, Office of Corporate Relations and selected elements of the Pappajohn Entrepreneurial Center and Technology Innovation Center?

The proposed bond issuance schedule submitted by the University included \$20 million for the Old Capitol Mall. Is this the anticipated amount to cover both the new phases 1 and 2. What is the projected annual debt

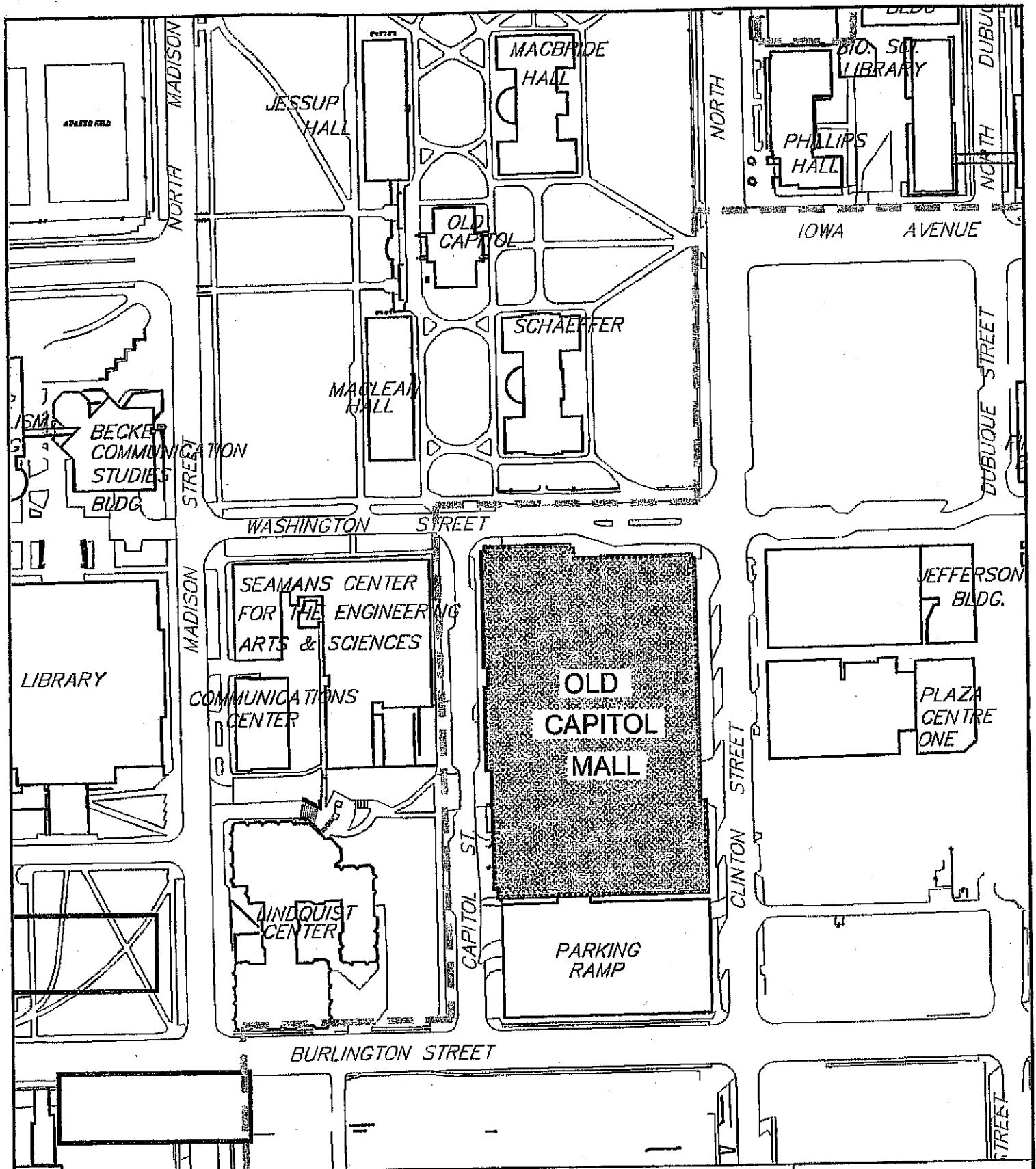
service based upon a bond issue of this size?

As appropriate, you may wish to incorporate your answers into a revised write-up.

Thanks in advance for your assistance.

Joan

Joan Racki
Policy and Operations Officer
Board of Regents, State of Iowa
11260 Aurora Avenue
Urbandale, IA 50322-7905
515-281-3934 (phone)
515-281-6420 (fax)
jracki@iastate.edu



Key

University Property Line

Location Map:

Old Capitol Mall



Scale: 1" = 200'

Exhibit 1

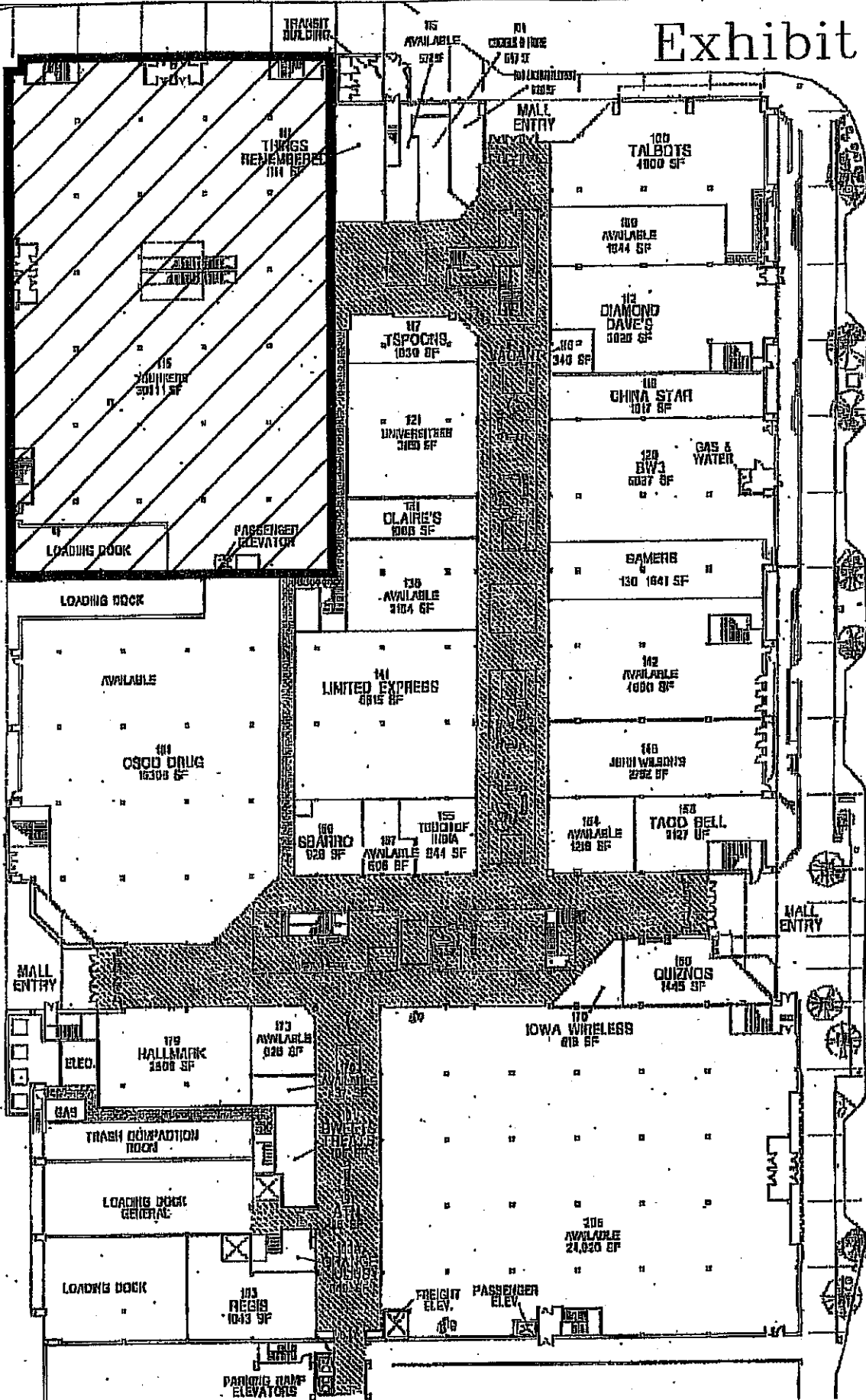
QUESTION #22 RESPONSE
PAGE 39



THE UNIVERSITY OF IOWA

OC Mall.dwg
Plotted: January 6, 2005

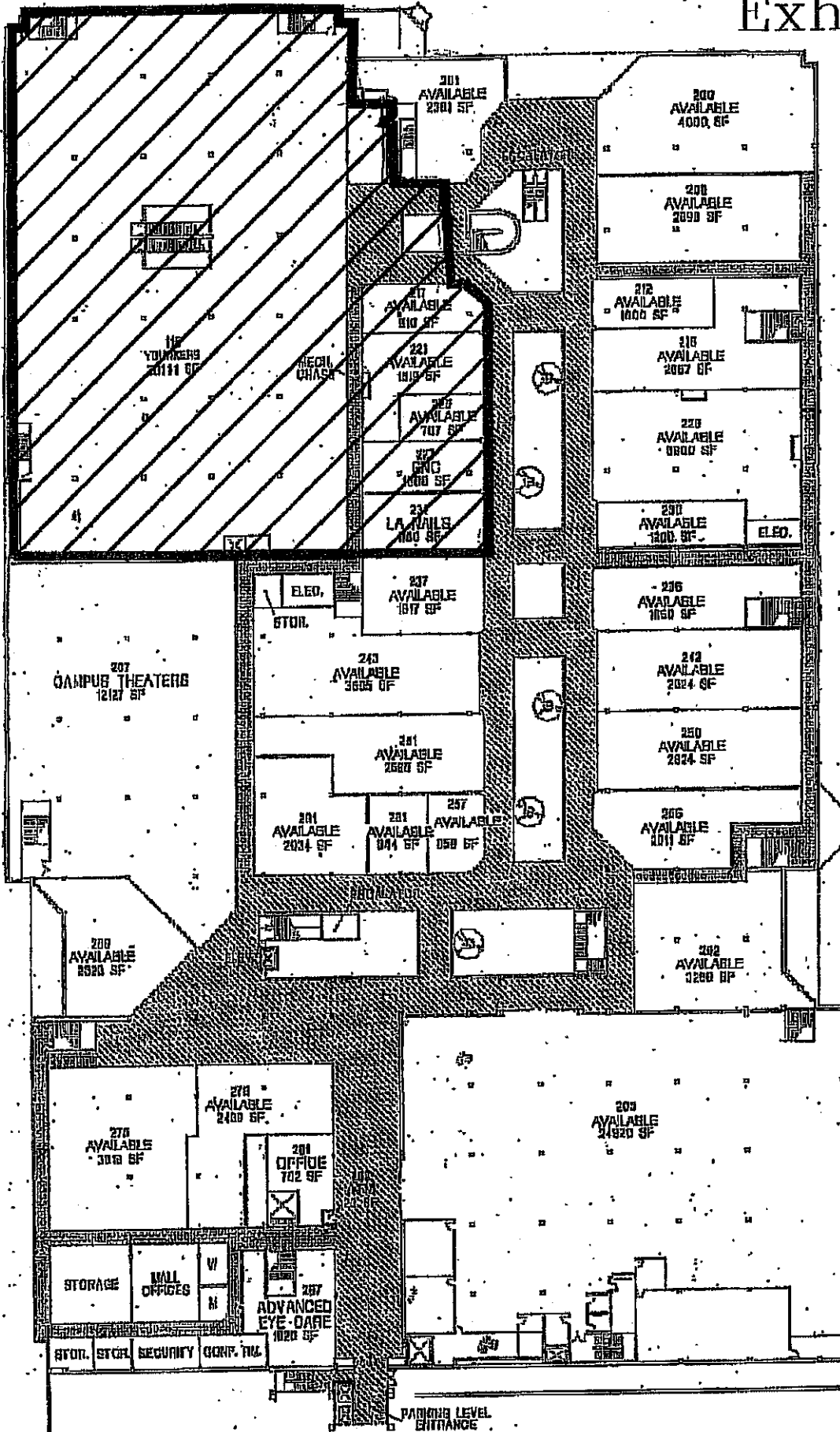
Exhibit 2



First Floor Leasing Plan



Exhibit 3



Second Floor Leasing Plan



Domsic, Dennis M

From: Yanecek, Ted O
Sent: Tuesday, January 10, 2006 1:57 PM
To: 'Racki, Joan [BOARD]'
Cc: 'Doyle, Sheila [BOARD]'; Domsic, Dennis M
Subject: Old Cap Phase II - Final Draft

Joan:

Attached is the final draft of the Old Capitol Mall Phase II acquisition memo. It is still highlighted to draw attention to areas we have edited. Please remove the highlighting when/if you distribute it to others.

Also attached are the 4 exhibits - a location map and diagrams of the Old Capital Mall.

Please contact me or Denny if you have additional questions.

Ted

MEMORANDUM

TO: Board of Regents, State of Iowa

FROM: Doug True

SUBJECT: Phase II Real Estate Acquisition in the Old Capitol Mall
by the University of Iowa Facilities Corporation
with lease arrangement to the University of Iowa

DATE: January 10, 2006

Recommended Action:

Authorize the University of Iowa to proceed with a lease with the University of Iowa Facilities Corporation (UIFC) for property (approximately 101,185 gross square feet of space in the Old Capitol Mall in Iowa City) to be acquired by the University of Iowa Facilities Corporation.

Executive Summary:

Background: At its June 2005 meeting, the Board Regents, State of Iowa authorized the University of Iowa to proceed with a lease with the University of Iowa Facilities Corporation (UIFC) for property in the Old Capitol Mall (referred to as the Mall in this document) to be acquired by UIFC. The referenced property was 60,000 GSF of space that was formerly occupied by the Younkers Department Store and 8,000 GSF on the second floor of the Mall adjacent to Younkers. The acquisition was a turnkey agreement that included needed fit out for occupancy.

The terms of the purchase agreement were finalized in August 2005. As part of the purchase agreement, the UIFC has an option to purchase the remaining vacated space on second floor of the Mall at \$85 per square foot and basement space at \$80 per square foot. This option for purchase at this price is available until March 1, 2006. The purchase also assumes a turnkey arrangement.

University Proposal: The University of Iowa recommends that the second floor and basement purchase options be exercised now. Approximately 78,425 gross square feet is available on the second floor and 22,760 gross square feet in the basement for a total of 101,185 gross square feet. The latter also includes a loading dock.

The University plans to pursue a turnkey arrangement similar to the Phase I (Younkers) acquisition that is expected to include owner provided fit out to accommodate requirements for University occupants.

A map showing the location of the property south of the University's Pentacrest is included in the Attachments. The space proposed to be leased is shown in the Attachments.

The purchase price of the building and the associated land under the condominium arrangement is \$8,486,925. Two separate appraisals to determine the property value were acquired. One valued the property as is at \$8,655,155 and the other at \$8,800,000

The fit out cost component is estimated to be approximately \$9.5 million. It is anticipated the cost may be less as the owner has agreed to conduct a competitive bid process for major elements of the fit out of the basement and second floor. As occurred in the Phase I acquisition, the University has engaged an independent construction cost estimating firm Stecker Harmsen, Inc, to assist in assuring that the final fit out cost is reasonable and market-cost based.

Use of Space:

<u>Basement</u>	Department of Public Safety (21,020 GSF) Facilities Management Key Shop (1,740 GSF).
<u>Second Floor</u>	Iowa Centers for Enterprise: Business and Commercialization Services (7,035 GSF) College of Public Health Research Units (19,700 GSF) Information Technology Services (32,490 GSF) Core Shared Services (12,720 GSF) Unassigned (6,480 GSF)

Financing: This acquisition would be financed by the University of Iowa Facilities Corporation through the issuance of revenue bonds. The University's lease with the Facilities Corporation would be in an amount equal to the debt service payments of the Corporation. The annual lease payments are estimated at approximately \$1.9 million, with distribution of these costs to University units based upon usage.

Background and Analysis:

Facilities Corporation: The University of Iowa Facilities Corporation was incorporated in 1967 as a not-for-profit supporting organization of the University of Iowa Foundation to assist in maintaining, developing, increasing, and extending the facilities and services of the University.

The Facilities Corporation, through the issuance of revenue bonds authorized by the Regents, made possible the construction of the Eckstein Medical Research Building, the Medical Education and Biomedical Research Building, the Pomerantz Center and the Carver Biomedical Research Building, along with the Phase I acquisition (Yunker space) in the Old Capitol Mall.

Property Description: The Old Capitol Mall is located in downtown Iowa City, immediately adjacent to the University of Iowa Pentacrest. The available second floor space includes the entire second floor of the mall with exception of approximately 9,600 square feet occupied by the Gazette and 11,865 square feet occupied by the Campus Theatre. (The Campus Theatre lease is a short term arrangement with the owners and this space may be available in the near future.) The basement space is approximately 22,760 square feet including a loading dock with access on Capitol Street.

Space Needs/Proposed Uses:

The Department of Public Safety would be placed in the basement of the Mall along with the adjacent loading dock which would serve as an emergency service vehicle storage area. Currently the Department of Public Safety is housed in a series of trailers. This was a temporary solution when the College of Engineering took over the old Department of Public Safety site approximately 8 years ago. Wear and tear on the present trailers due to 24-7 operation (walls, door frames shifting, wall/finish separation, humidity-air-quality-heating & cooling concerns, ceiling and carpet degradation at joints and seams) makes relocation of these temporary units not feasible. The current public safety trailers are located on the building site designated for the Recreation Building Project.

The Facilities Management Key Shop which provides campus wide building locking and security capabilities would likewise be placed in the basement location. The Key Shop and the Department of Public Safety are now located on the site that has been earmarked for the Recreation Building project and their current facilities will be removed or demolished in that project. Their relocation is essential for the development of the Recreation Center.

Information Technology Services (ITS) occupies approximately 17,000 net square feet in the University Services Building (USB). It is important to relocate ITS in order to make the USB third floor space available for other Facilities Management functions that also occupy the Recreation Building site and need to be razed. The Facilities Management functions being relocated from the Recreation Building site would then be adjacent to other related Facilities Management units within USB. For example, this approach will permit staff in Operations and Management, Utilities and Energy Management, and Design and Construction Services to be located in one area rather than dispersed throughout multiple shop locations as they are now. This will enable the interdisciplinary strategy that Facilities Management has been diligently pursuing while also making a building site closer to campus needed for student recreation facilities.

Additional ITS components would be consolidated in the Mall in order to create a more centralized location on campus for ITS to better serve students, faculty and staff. Specifically ITS functions that now occupy prime academic space within the Lindquist Center would move to the Mall. The vacated space in the Lindquist Center would permit relocating and consolidating the College of Education program in Science Education and its other funded research functions that are now housed in Van Allen Hall to Education's home building. The vacant space in Van Allen Hall would then be used as swing space to accommodate future major capital renewal projects including the nearby Seashore Hall block.

College of Public Health Research Units: University of Iowa Hospitals and Clinics (UIHC) and Carver College of Medicine Faculty Practice Plan (FPP) Joint Office of Patient Financial Services (JOPFS) and the State Health Registry (Cancer Registry) of the College of Medicine occupy leased space in the U. S. Bank building in downtown Iowa City. The JOPFS is being relocated to the space on the second floor in the Old Capitol Mall formerly occupied by Younkers pursuant to the previous acquisition. The move of the Cancer Registry would complete the vacating of the U. S. Bank space and enable termination of the lease at the end of 2006. The annual cost of the lease is approximately \$220,000. Payments being made towards this lease would be applied to the Old Capitol Mall acquisition.

The Clinical Trials Statistics and Data Management Center (CTSDMC) is a unit of the College of Public Health that generates approximately \$11.1 million annually in extramural funding and has been a keystone in the research success of the College of Public Health. It has outgrown its available space in the Westlawn building, a former dormitory on the West campus. Consequently, it is proposed that CTSDMC be relocated to the Old Capitol Mall. This will permit the College of Public Health to accommodate other of its needs such as providing adequate space for graduate student offices in Westlawn. This is particularly important given that the academic home of the College of Public Health is still several years away. Placing the Cancer Registry and CTSDMC in adjacent second floor space would permit maximum flexibility in the future management of that space in response to the ebb and flow of sponsored research opportunities and related revenue.

Iowa Centers for Enterprise: Business and Commercialization Services: "The Iowa Centers for Enterprise" represents an effort on the part of the Office of the Vice President for Research to integrate under one banner and in one location the several activities that comprise the University's economic development and technology transfer program. Previously, the centers and activities that make up this program have been separated in a number of locations around the Iowa City campus, as well as at the Oakdale Campus. Among these are the UI Research Foundation, Office of Corporate Relations, and selected elements of the John Pappajohn Entrepreneurial Center and Technology Innovation Center. This has often been confusing for clients (i.e. faculty and students as well as Iowa business and community representatives) who have needed to interact with these several centers or programs. Moreover, the separation has prevented the programs from working in more synergistic and complementary ways.

The creation of an office for Iowa Centers for Enterprise will bring under one roof the management of technology transfer, new business development, entrepreneurship programs, business incubation functions, and existing business support services while meeting the need for expansion of these functions by the UI. Important related functions, including liaisons to the workforce development programs, will have a presence in the facility. The Vice President for Research expects that this single office will contribute significantly to the University's economic development and technology transfer effectiveness and productivity.

Core Shared Services: The central area on the west side (Capitol Street) of the main second floor corridor is planned as shared large conference room space, restrooms, locker rooms/showers, lactation room, mail room, employee lounge etc. In addition, a "Board Room" style conference area will be established at the north end of the second floor of the mall to be shared by all occupants of the Mall and other University units.

Unassigned: Approximately 6,480 GSF has not been assigned to specific users and will be held pending further need analysis.

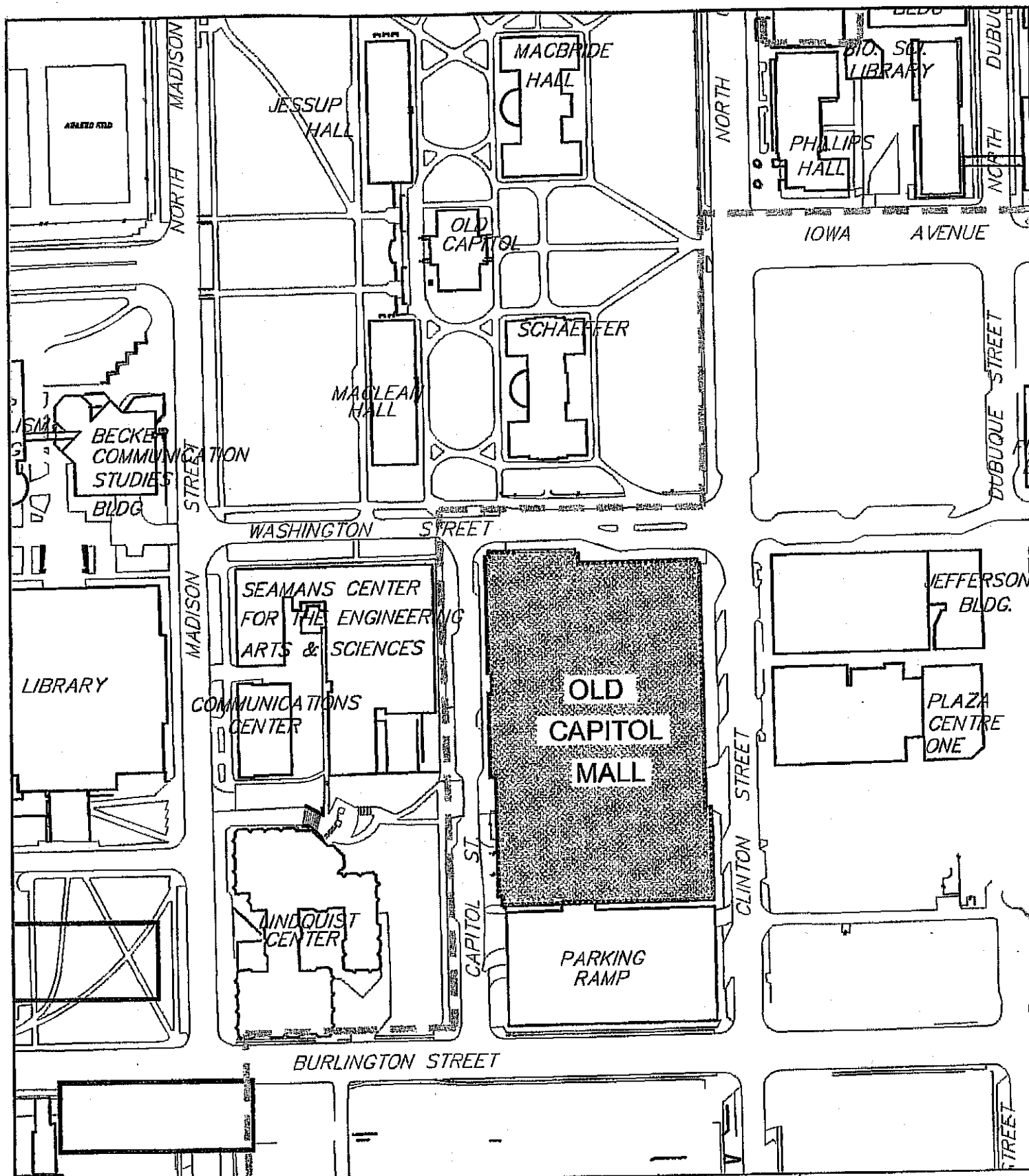
Options: The University of Iowa Facilities Corporation has the option to purchase all remaining space on the second floor as it becomes available. Additionally, this Phase II Mall acquisition will solidify a future option to purchase the remainder of the mall including the first floor commercial space and associated land should that ever be desirable. Exercise of these options would be subject to Regents approval.

Financing: Subject to Board approval for the University to proceed with a lease with the UI Facilities Corporation, the Facilities Corporation would be requested to finance the acquisition, including fit out, necessary furniture and equipment, and other project related costs through the issuance of single tax exempt bonds. The bond issuance on behalf of the Board of Regents is tentatively scheduled for August 2006.

There would be a lease payment between the Facilities Corporation and the Board with lease payments based on the amount of the annual debt service costs. At the conclusion of the financing period and lease term, the property shall be transferred from the Facilities Corporation to the University, subject to the approval of the Board of Regents. The lease term will be 20 years.

The University's annual lease payments for the space are estimated at approximately \$1.9 million.

The University would fund the annual lease payments through a combination of re-directing to this project the lease payments now made for US Bank space in downtown Iowa City, along with indirect cost recoveries linked to the College of Public Health sponsored research projects, earnings related to the Centers for Iowa Enterprise: Business and Commercialization Services projects, and other University earnings linked to the functions assigned to this space.



Key

University Property Line

Location Map:

Old Capitol Mall



Scale: 1" = 200'

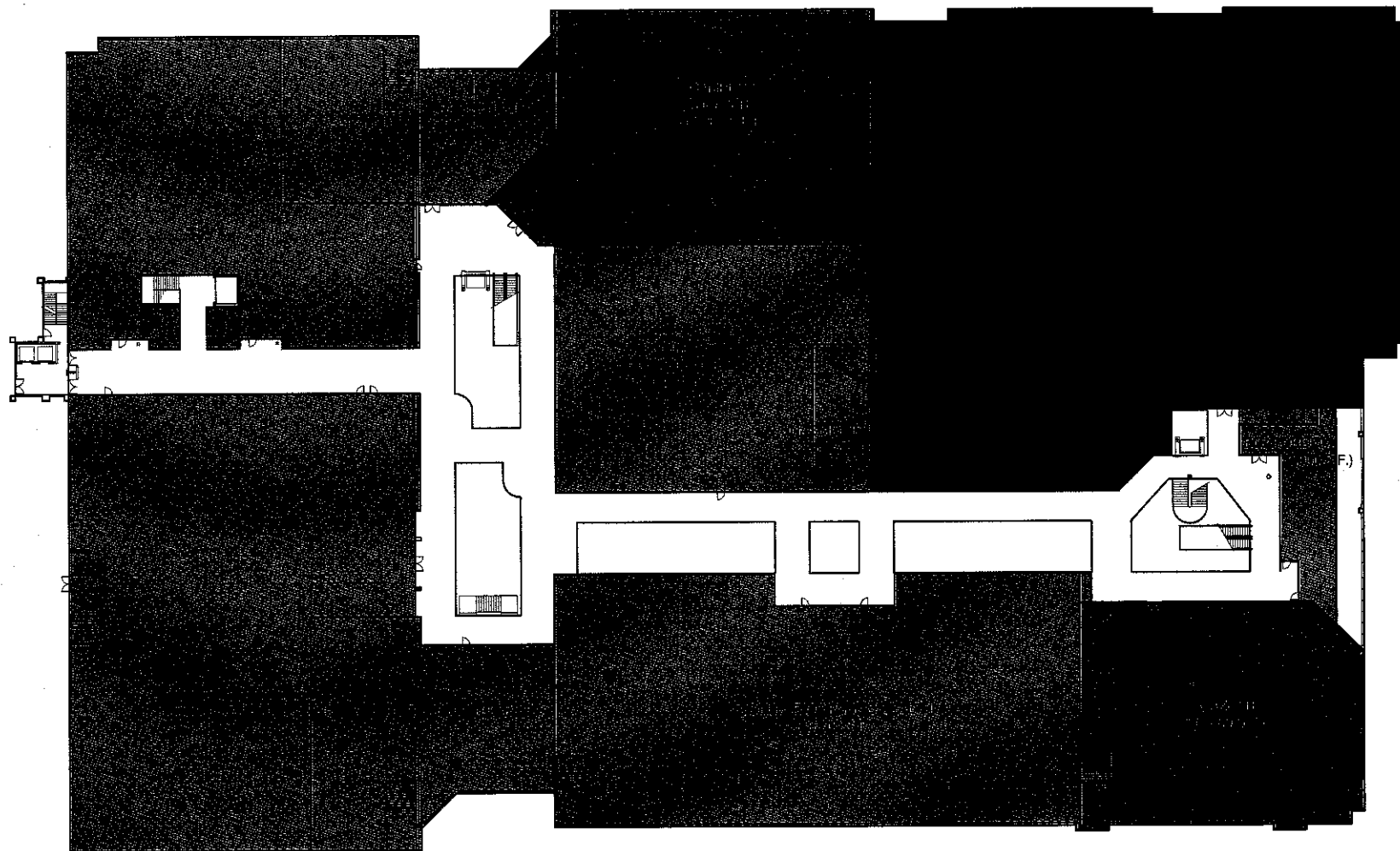
Exhibit 1

QUESTION #22 RESPONSE
PAGE 48



THE UNIVERSITY OF IOWA

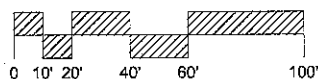
OC Mall.dwg
Plotted: January 6, 2005



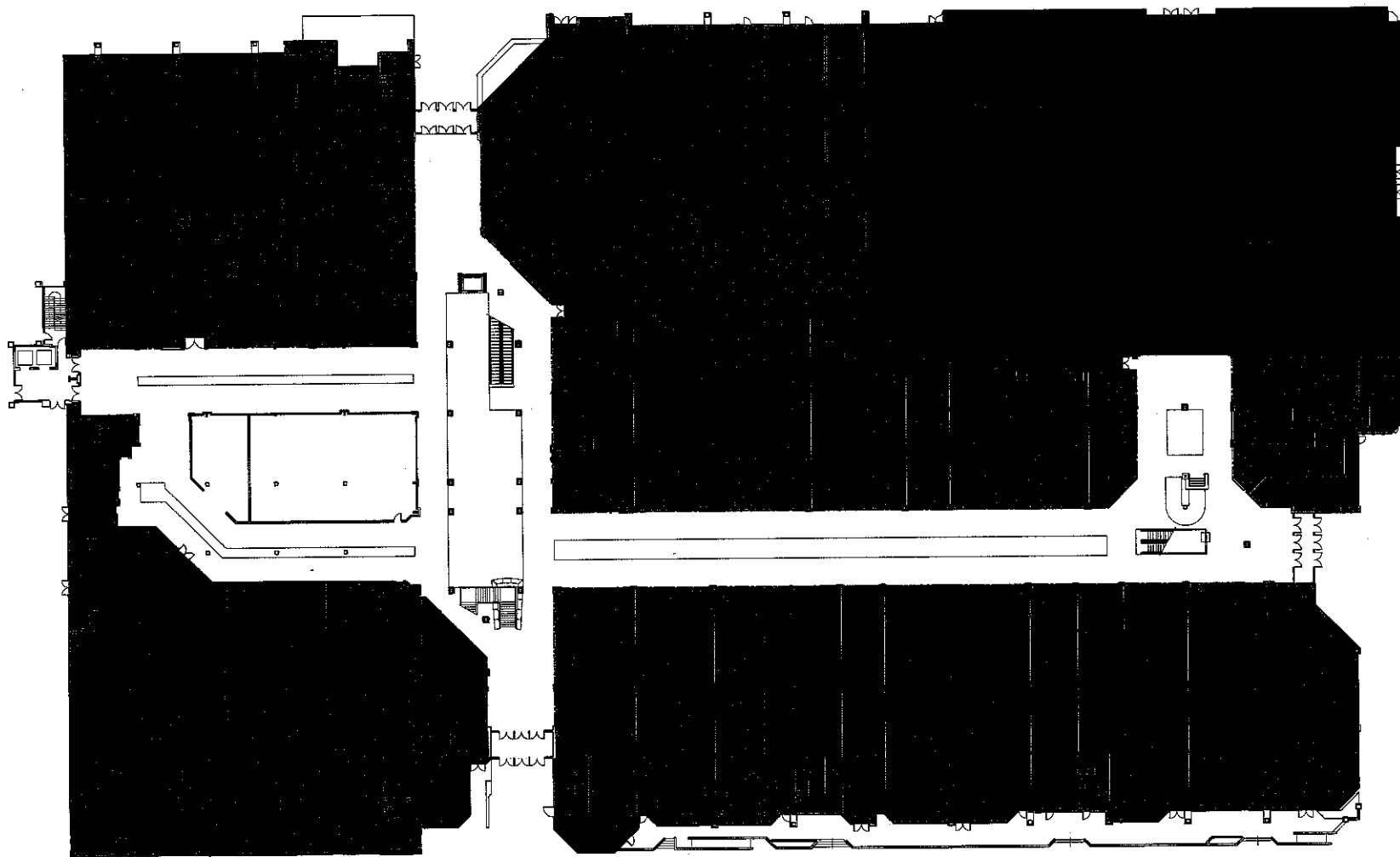
- PHASE I (YOUNKERS)
- PHASE II
- COMMERCIAL SPACE



PLAN
NORTH



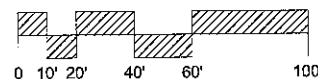
OLD CAPITOL MALL
SECOND LEVEL FLOOR PLAN
PRELIMINARY SPACE ASSIGNMENTS
DECEMBER 30, 2005



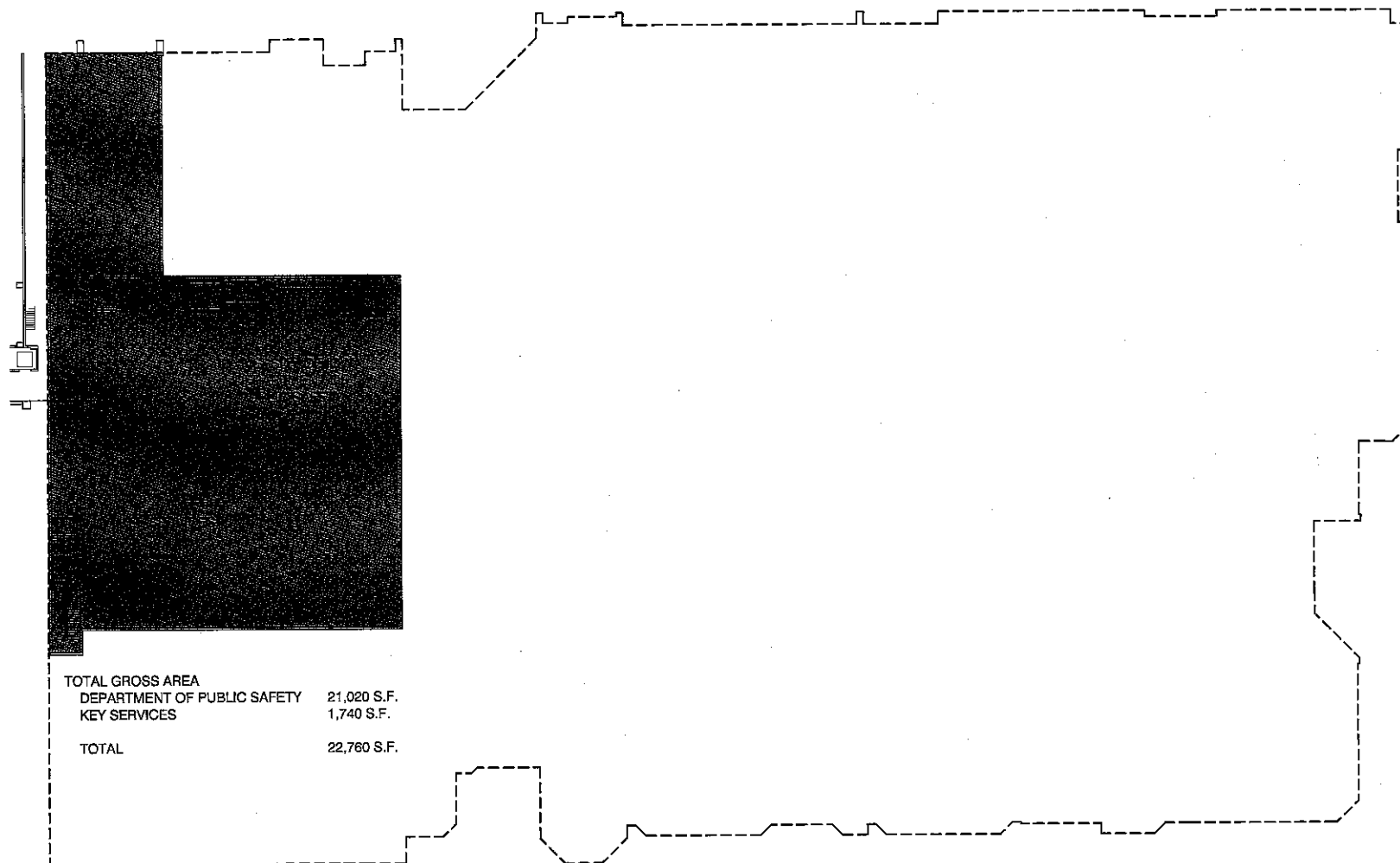
- PHASE I (YOUNKERS)
- PHASE II
- COMMERCIAL SPACE



PLAN
NORTH



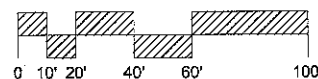
OLD CAPITOL MALL
FIRST LEVEL FLOOR PLAN
PRELIMINARY SPACE ASSIGNMENTS
DECEMBER 30, 2005



- PHASE I (YUNKERS)
- PHASE II
- COMMERCIAL SPACE



PLAN
NORTH



OLD CAPITOL MALL
GROUND LEVEL FLOOR PLAN
PRELIMINARY SPACE ASSIGNMENTS
DECEMBER 30, 2005